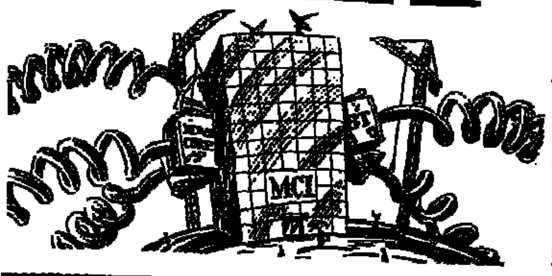
FINANCIAL TIMES



Telecoms
MCI takes its own line
Page 15

World economy
G10, interest rates and debt
Samuel Brittan, Page 14

Germany
Angst over "job exports"
Page 4

California
Growth and gridlock
Page 6

World Business Newspaper THURSDAY NOVEMBER 2 1995 D8523A

Renault secures big Swedish order for electric cars

French car maker Renault has won what it says is the world's biggest single contract for electric cars by selling 150 vehicles to Nutek, a Swedish public sector organisation promoting energy conservation and technology. An electric version of the Clio hatchback will be tested by a 25-strong group of local authorities and public and private sector companies. Nutek said the final order could reach 1,000 vehicles if more buyers came forward, boosting the gradually expanding electric car market. Page 4

London Stock Exchange under attack

The London Stock Exchange has missed the opportunity to turn itself into Europe's central share dealing system, according to leading City figure Rudolf Mueller (left). The chairman of UBS UK said he had resigned from the board of the stock exchange last summer out of disappointment at its failure to transform itself into a European exchange. Page 16; Several bankers share Mueller strictures, Page 9; UBS figures, Page 17

US warning as Bosnia peace talks start: Chief US negotiator Richard Holbrooke predicted a tough slog in the Bosnian peace talks which opened at a military base near Dayton, Ohio. Page 3; Editorial Comment, Page 15

Commonwealth warns military regimes: Commonwealth military governments were told their membership of the association could be at risk. The Commonwealth warned of the danger of "real internal conflicts" in Nigeria, Sierra Leone and Gambia if their military regimes did not rapidly give way to democratic governments. Page 8

New doubts on strength of US economy: On Wall Street bond prices rose sharply in early trading as new figures raised fresh doubts about the strength of US economic expansion. The weak figures were seen as increasing the likelihood that the Fed will cut interest rates later this year. Page 6; World stocks, Page 34

Rise in US frequent flyer fraud: Frequent flyer fraud is on the increase in the US, as are acrimonious divorce disputes in which spouses squabble over the ownership of air miles, says Randy Petersen, a leading expert on airline loyalty programmes. Page 16

Yeltsin signs minimum wage law: Russian president Boris Yeltsin signed laws increasing the minimum wage and minimum pension by 15 per cent. He also met a top aide - a sign that he may be regaining his health after last Thursday's mild heart attack. Page 2

Disappointing profits for Sainsbury: Britain's biggest food retailing group, J Sainsbury, announced disappointing interim profits and a fall in underlying sales volumes in its UK supermarket chain. Page 17; Lex, Page 16

Playboy considers return to casinos

Christie Hefner (left), chairman and chief executive of Playboy Enterprises and daughter of its founder, said the company was thinking of making a return to the world of casinos. This could mean a comeback for one of the most potent sexist symbols of the 1960s and '70s – the Playboy Bunny – in the politically correct 1990s. Page 16

BHF-Bank, German merchant bank, is on target for a rise in operating profits of at least 10 per cent this year after a 6 per cent increase to DM242m ($171.83m) in the first nine months. Page 18

Two killed in Hizbollah revenge attack: Moslem Hizbollah guerrillas killed two Israeli-backed militiamen and wounded five Israeli soldiers in attacks in south Lebanon which the attackers said were to avenge slain Islamic Jihad leader Fathi Shqaqi.

Baltic envoy recalled in oil row: Lithuania is recalling its ambassador from neighbouring Latvia in protest at the planned development of a disputed oilfield off the Baltic coast. Page 2

Former Irish deputy PM dies: Former deputy Irish prime minister Brian Lenihan died in a Dublin hospital, aged 64.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,746.45	(-8.03)
NASDAQ Composite	1,035.49	(-0.57)
Europe and Far East		
CAC40	1,814.01	(+18.67)
DAX	2,163.22	(-4.69)
FT-SE 100	3,518.7	(-10.4)
Nikkei	17,474.49	(-180.15)

US LUNCHTIME RATES

Federal Funds	5 13/16%
3-mth Treas Bills: Yld	5.451%
Long Bond	107 7/8
Yield	6.282%

OTHER RATES

UK: 3-mo Interbank	6 23/32%	(6 23/32%)
UK: 10 yr Gilt	104 3/16	(103 7/8)
France: 10 yr OAT	closed	
Germany: 10 yr Bund	100.75	(100.45)
Japan: 10 yr JGB	113.146	(113.186)

NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.26	(16.36)

GOLD

New York: Comex		
(Dec)	$383.8	(384.3)
London:		
close	$382.25	(382.7)

DOLLAR

New York: lunchtime		
£	1.58005	
DM	1.4133	
FFr	4.897	
SFr	1.138	
Y	103.085	
London:		
£	1.5785	(1.5779)
DM	1.4164	(1.4083)
FFr	4.9145	(4.8929)
SFr	1.1393	(1.1385)
Y	103.825	(102.245)

STERLING

DM	2.2358	(2.2221)
Tokyo close:	Y 182.3	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kč55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y600	Philippines	Peso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Çiller warns EU against customs union delay

Turkish PM says rejection would unleash fundamentalism

By John Barham in Ankara

Mrs Tansu Çiller, Turkey's prime minister, warned yesterday that rejection, or even delay, by the European parliament of a customs union with the European Union planned for 1996 would unleash the forces of Islamic fundamentalism in Turkey and the surrounding region.

In an interview, Mrs Çiller warned that "rejection will give the upper hand to the fundamentalists here and in the region because the Moslem world looks up to Turkey as a model". For that reason, she said, "Turkey needs Europe, but Europe needs Turkey even more" as a beacon of stability in the region.

The European parliament is to vote next month on ratifying a customs union, which would harmonise tariff rates between Turkey and the EU. Although EU governments are urging approval because it would bind Turkey closer to the west, Strasbourg has made its consent conditional on human rights and political reforms in Turkey.

Turks would see delay as rejection, Mrs Çiller warned: "It will come to be seen that Europe has rejected Turkey again. These are proud people."

She denied comments by some Euro-MPs that constitutional changes liberalising electoral laws, the release of political prisoners and amendment of Turkey's anti-terrorism law were "cosmetic" changes. She said "freedom of speech is an ongoing process and will be continued".

She added that pushing these changes through parliament required great effort. Furthermore, she said, from Turkey's viewpoint, these are substantial reforms. This was "the first time in 100 years" that parliament had amended the constitution.

General elections are to be held on December 24, after the collapse in September of her 28-month government, and Mrs Çiller promised to return with a majority government. "I am determined to raise the standards of democratisation. We will have the same standards of democracy that other countries do."

She pledged that if re-elected she would abolish emergency legislation that curbs constitutional rights in the south-east where security forces are fighting an 11-year Kurdish insurgency. However, she said the reform process would be reversed if the Islamic fundamentalists of the Refah party came to power. Refah has emerged as one of Turkey's most popular parties in response to deepening economic crises and widespread disaffection with traditional politicians.

Referring to Refah, she said that "people who come in the name of democracy [would] come to power to end democracy. They seek to end freedom of choice.

Continued on Page 16

German union offers pay limit to create jobs

By Judy Dempsey in Berlin

IG Metall, Germany's powerful engineering union, yesterday made a significant shift in policy by promising to keep wage demands in line with inflation in negotiations for 1997 in order to create jobs.

In return, Mr Klaus Zwickel, the union's head, wants employers to maintain employment, create 300,000 jobs over three years and return 30,000 long-term unemployed to the workplace.

In a speech to the union's annual congress in Berlin, he also urged the government to increase numbers on training schemes by 5 per cent a year.

His initiative came as German steelmakers such as Thyssen have reduced working hours for some employees because of falling orders. Thyssen said new orders had fallen 10 per cent in the third quarter this year compared with a year earlier.

Mr Zwickel's speech was immediately welcomed by Gesamtmetall, the engineering employers' association. Mr Roland Fischer, a member of its board, called the proposals "courageous" and a step in the right direction. But Mr Klaus Murmann, president of the German employers' association BDA, rejected the proposals, saying in an interview in the Cologne daily Express published today that such actions "are superfluous".

Mr Murmann called on IG Metall to demonstrate more flexibility over working hours and to support reductions in employers' social security contributions.

Mr Hermann Remsperger, chief economist at bank BHF, also struck a more cautious note, saying that the level of economic growth would determine whether companies could create that number of jobs. However, he thought the proposals represented the first sign of the union accepting a link between wages and jobs.

The measures contained in the union's "Alliance for Work" are seen as an attempt by IG Metall to take the offensive at a time when the government is planning to cut unemployment benefits and job creation schemes.

The union has come under increasing pressure to show more

Steel industry reduces hours......Page 3
'Job exporting' debate..........Page 4

flexibility as the unemployment rate, currently at 9.4 per cent, is forecast to decline only slightly next year to 9.2 per cent, or 100,000 people. Unemployment has also eroded the union's membership. It has lost an average 10,000 members a month since 1992 to stand now at 2.89m.

Although IG Metall has repeatedly struck wage deals considerably above the inflation rate, Mr Zwickel has sought to introduce some flexibility since becoming leader two years ago.

Recently he has voiced support for schemes to reward overtime with shorter working hours at times of low demand rather than with extra pay. Opel, the German subsidiary of General Motors, has implemented such a scheme.

Continued on Page 16

Perry visits Japan

US defence secretary William Perry is welcomed on board the Japanese destroyer Yugin for a courtesy call yesterday during a tour of the US naval base at Yokosuka, where the US and Japan share some facilities. Mr Perry's visit is aimed at defusing the crisis over the two countries' security alliance. While on board the Yugin he told his Japanese hosts: "The two navies that once fought each other in mortal combat now join hands as friends. This ship and this crew are one of the key reasons we want to be partners." During a **tour of the USS Rodney he commented: "As far as the eye can see, a forward presence of US military personnel [in Japan] will be necessary."** Report, Page 5 Picture: Reuter

Daiwa reform plans rejected by government

By Gerard Baker in Tokyo

Japan's finance ministry yesterday rejected proposed reforms by Daiwa Bank to improve its internal inspection systems after revelations in September of a $1.1bn loss on US government bond trading.

The ministry said Daiwa's proposals were inadequate and ordered the bank to return with more substantial measures as soon as possible. The rejection is a new blow to Daiwa's reputation, already damaged by revelations concerning the losses, incurred over 11 years by a trader at its New York branch.

Daiwa has been denied substantial business in Japan as a result of the losses, and its operations in the US are on hold pending an investigation by authorities there.

"After examining the latest business improvement plan, the ministry has ordered Daiwa to present additional measures," Mr Masayoshi Takemura, finance minister, said.

Daiwa proposed the reforms to the ministry in an effort to persuade officials that it was serious about improving its risk management systems.

The bank's plan were submitted on Tuesday by senior officials. Details were not disclosed but it is understood to have acknowledged defects in the way Daiwa had supervised its overseas operations.

The proposal contained pledges by the bank to strengthen internal controls, including the introduction of surprise on-site inspections and the establishment of special investigation teams to examine foreign branches and subsidiaries.

But the report apparently denied that Daiwa had systematically hidden the losses after they had been discovered.

The ministry is already conducting its own investigation and yesterday's tough line suggests it will almost certainly both punish Daiwa and order significant changes in the bank's operations.

Officials are furious with the bank over its handling of the problems. The massive losses have raised international concerns about the stability of all Japanese banks, evidenced by a sharp rise in borrowing costs on international money markets. Finance ministry officials believe most Japanese banks are being unfairly penalised as a result of Daiwa's behaviour.

The bank's response on discovering the losses has been the focus of wide attention by regulators and other banks. Mr Toshihide Iguchi, the trader responsible for the losses, told a New York court that he had been ordered to continue covering up the losses after he had reported them to senior management.

There is also growing suspicion the losses may not have happened the way the bank claimed they did. The scale of the losses – averaging $400,000 a day for 11 years – struck some bond traders as unimaginably high.

Average 4.4% GDP increase forecast for E Europe states

By Kevin Done, East Europe Correspondent, in London

The period of declining output in eastern Europe since the collapse of communism is over, and prospects for strong growth are "very good", according to the European Bank for Reconstruction and Development.

The bank's annual transition report, published yesterday, forecasts that gross domestic product in 10 countries of eastern Europe and the three Baltic states will grow by an average 4.4 per cent in 1996, compared with 3.8 per cent this year. The fastest growth of around 6 per cent this year is forecast in Poland, Slovenia, Estonia and Albania.

Mr Nicholas Stern, the bank's chief economist, said the Russian economy had also reached a turning point and was expected to grow by about 2 per cent in 1996 after suffering a further fall of 3 per cent this year.

Overall, the economies of the Commonwealth of Independent States – the former Soviet Union – are forecast to grow by around 3.2 per cent next year after contracting by 3.4 per cent in 1995.

The reports says that in most of eastern Europe the private sector now accounts for more than half of economic activity, most prices are liberalised, and there have been "very few significant reversals of existing reforms".

Mr Stern says investment will be the central instrument of change during the next period of the transition. "For the reforms and sacrifices of recent years not to have been in vain, the investment process needs strong support. The quality and level of that investment will shape the transition for the next decade."

The bank says there are now "strong opportunities" for both foreign and domestic investors in much of the region, but competition is fierce from other emerging markets. Foreign direct investment in eastern Europe remains at a low level in particular in comparison with east Asia.

Several key features that have underpinned the growth of east Asia, such as an educated labour force, outwardly oriented economies and competitive real exchange rates, also exist in a number of east European countries, it says.

Last year foreign direct investment in eastern Europe and the former Soviet Union, a region with a population of 400m, totalled only $5.7bn, however, a similar level to that achieved in Malaysia alone, a country with a population of 19m.

Most investment in eastern Europe in the medium term will have to be financed from domestic savings, but the report warns that the financial sector, including banks, securities markets and insurance companies, remains "in an early development phase".

EBRD praises 'fast-track countries', Page 2

CONTENTS

No 32,822 Week No 44 LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

NEWS: EUROPE

EBRD praises 'fast-track' countries

By Kevin Done and Anthony Robinson in London

The "fast-track" reforming states of central Europe are enjoying rapid economic growth and an upturn is now in sight for most of the former Soviet states, according to the latest transition report* of the European Bank for Reconstruction and Development (EBRD).

Poland has emerged most quickly from the shock of the collapse of communism and is now in its fourth year of significant growth, the report says.

Poland is also closest to eliminating the sharp decline of the early transition years and its gross domestic product next year should already exceed the level of 1989.

GDP growth of 5-6 per cent this year is forecast for Poland, the Slovak Republic, Slovenia, Estonia, Lithuania, Albania and Armenia, although growth in Armenia is coming from a very low level.

Inflation is under control in many countries in eastern Europe, with the smallest rates of increase this year (December year-on-year) forecast for Croatia and Albania at 3 per cent and 5 per cent respectively.

EAST EUROPE, THE BALTICS, AND CIS

Country	Economic growth (%) 1994	1995*	1996**	Projected level real GDP in 1995 (1989=100)	Private sector share of GDP (%) mid-1995 EBRD est	Purchasing power parity GNP per capita $US in 1993
Albania	7	6	6	75	60	999
Armenia	5	5	8	37	45	2,040
Azerbaijan	-22	-15	5	35	25	2,190
Belarus	-22	-10	-5	54	15	6,240
Bulgaria	1	3	3	75	45	4,100
Croatia	1	2	n.a.	84	45	–
Czech Republic	3	4	5	85	70	7,550
Estonia	6	6	6	74	65	6,320
Macedonia***	-7	-3	n.a.	53	40	–
Georgia	-35	-5	9	17	30	1,750
Hungary	2	3	3	88	60	6,050
Kazakhstan	-25	-12	1	44	25	–
Kyrgyzstan	-27	-5	8	43	40	–
Latvia	2	1	5	54	60	5,010
Lithuania	2	5	5	42	55	3,110
Moldova	-22	-5	7	42	30	2,870
Poland	5	6	5	97	60	5,000
Romania	3	4	4	81	40	2,800
Russia	-15	-3	2	49	55	5,050
Slovak Republic	5	5	4	84	60	6,290
Slovenia	6	6	5	94	45	10,585
Tajikistan	-21	-12	3	40	15	–
Turkmenistan	-20	-5	3	63	15	–
Ukraine	-23	-5	-3	43	35	4,450
Uzbekistan	-3	-4	-0	82	30	–

n.a. = not available. *EBRD forecast. **Average of forecasts from institutions including OECD, IMF, Project Link, PlanEcon, EIU ***Former Yugoslav Republic of Macedonia
Source: Transition Report 1995, European Bank for Reconstruction and Development

Inflation rates of only 10 per cent are also forecast for the Czech Republic, Macedonia, the Slovak Republic and Slovenia.

Inflation in Albania has fallen from 237 per cent in 1992 to only 5 per cent this year, while Estonia is forecast to have cut inflation to 22 per cent by the end of 1995 from 954 per cent in 1992.

The rate of inflation in Macedonia is forecast to fall to 10 per cent from 1,935 per cent in 1992.

Annual rates of inflation of 100 per cent or more are still being suffered in seven countries in the region, all former Soviet states.

The Czech Republic and Hungary achieve most plaudits from the EBRD for progress achieved in the transition to free market economies in terms of privatisation and restructuring, the liberalisation of prices and trade and foreign exchange systems, the building of financial institutions and the implementation of legal reforms.

The EBRD estimates that by mid-1995 the private sector accounted for around 70 per cent of GDP in the Czech Republic, 65 per cent in Estonia, and 60 per cent in Albania, Hungary, Latvia, Poland and the Slovak Republic.

The EBRD report argues that fast reform in East Europe has been "a condition for dynamic investment and not a brake on it". In many cases, including in all of the fast-reforming countries, the share of investment in GDP began to stabilise or to rise at the time of price liberalisation, or within a year of liberalisation.

Hungary has a commanding lead in the region in attracting foreign direct investment, which accounted for $6.9bn of the $17.7bn invested from 1989 to 1994.

Based on population size, it is followed by Estonia and the Czech Republic, with the latter in second place in absolute terms with $3bn of foreign direct investment.

By contrast Russia has attracted only $1.6bn and Poland $1.5bn.

The main task ahead in the region is to underpin economic recovery by better financing, more private ownership, higher-quality corporate governance and the building up of the banks and institutions needed to sustain a market system.

Trade has played an important role in helping countries redirect production towards western markets and stimulate economic growth. "One way to promote the use of outside finance by enterprises is to foster market competition through trade liberalisation and anti-monopoly policies," the report says.

It notes that trade liberalisation is improving again due to the European Union association agreements with central European and Baltic countries.

Privatisation is also still moving ahead throughout the region but is not sufficient on its own to ensure the changes in ownership and managerial culture needed to re-organise and re-capitalise companies and make them competitive in world markets.

"Insider" privatisations, involving the transfer of ownership to workers and management, usually produce inadequate controls or incentives for management to take the often tough decisions required to raise productivity and profitability.

**European Bank for Reconstruction and Development Transition report 1995 - Investment and enterprise development. Price £25. Available worldwide from HMSO Publications Centre, PO BOX 276, London SW18 5DT. (44-171-873-9090).*

EUROPEAN NEWS DIGEST

US 'interviews' for Nato post

The United States will conduct "job interviews" with candidates for Nato secretary general before deciding who will get its support, the White House press secretary, Mr Mike McCurry, said yesterday.

Mr McCurry declined to say how many individuals were under consideration or whether the US favoured a particular successor to Mr Willy Claes of Belgium, who resigned last week over a corruption scandal.

Denmark's former foreign minister, Mr Uffe Ellemann-Jensen, and the ex-prime minister of the Netherlands, Mr Ruud Lubbers, were heading for Washington last night to meet Administration officials.

"We have a very active interest in the question of who will succeed Willy Claes as Nato secretary general," Mr McCurry said. "We have pursued diplomatic discussion on this question aggressively. There have been several mentioned candidates who I expect will soon be in the United States to meet senior ranking officials of our government for what might be described as job interviews." The Nato secretary general will be selected in a vote by Nato ambassadors at a meeting in Brussels in two weeks. *Reuter, Washington*

G7 in talks over Chernobyl deal

Ukraine and the Group of Seven industrialised nations began fresh talks yesterday on financial terms for closing the Chernobyl nuclear power plant.

Ukraine promises to close the plant, the site in 1986 of the world's worst nuclear accident, by 2000 if western countries help foot the bill.

The plant provides 5 per cent of the country's energy needs. Western officials were yesterday optimistic a deal could be reached through a proposed $3.2bn package of G7 grants, Ukrainian funds and private investment.

The money would be used to decommission the plant and make up for lost energy, probably by upgrading existing power stations. Ukraine also wants a commitment to replace the metal sarcophagus around the plant's stricken fourth reactor.

The current round of talks is scheduled to end tomorrow, with a more senior delegation due in Kiev on November 20. As talks continued, a fire broke out yesterday at the Zaporozhya nuclear power station, one of Ukraine's five plants. The fire was contained to the station offices without endangering the station's four working reactors. *Matthew Kaminski, Kiev*

Finland cuts key interest rate

The Bank of Finland cut its main short-term interest rate yesterday for the second time in a month, saying the outlook for continued low inflation had improved.

The move, cutting the bank's tender rate from 5.5 per cent to 5.0 per cent, comes at a time when Finnish inflation is less than 1 per cent – the lowest in Europe – even though the economy is growing 5 per cent a year.

The bank said import prices were falling, partly because of the strength of the markka, and increased competition was bringing down food prices.

Inflationary pressures have also been checked by a landmark two-year national wage accord, agreed in September, and by a government decision to cut employers' unemployment insurance contributions by 1.5 percentage points next year. The bank expects underlying inflation to rise to about 2 per cent in the second half of 1996 before easing during 1997. *Christopher Brown-Humes, Stockholm*

Romania approves draft budget

Romania's government has approved a draft 1996 austerity budget, with a forecast deficit of 2.9 per cent of gross domestic product, which it will submit to parliament for approval.

The move follows extensive consultations with all parties in parliament. A government statement said the draft was intended to help consolidate macro-economic stability, cut the balance of payments deficit and support industrial restructuring and privatisation.

The Finance Ministry said detailed figures on revenue, spending and the deficit were not available. In drawing up the budget draft the government estimated economic growth next year of at least 4.5 per cent and inflation at not more than 20 per cent.

Romania this year expects a budget deficit of about 3 per cent of GDP. This is within the limits agreed with the International Monetary Fund under an accord signed for a $700m loan. *Reuter, Bucharest*

Death of former Irish minister

Mr Brian Lenihan (left), the former Irish foreign minister and deputy prime minister who died yesterday aged 64, had been a feature of the Dublin political scene for more than 35 years. Elected to parliament for Leitrim in 1961, he had an unrivalled knowledge of Irish politics, having worked with every Fianna Fail leader since Mr Eamonn De Valera. Mr Lenihan, whose death followed a long illness, was foreign minister in 1987 during Ireland's negotiations to join the Single European Act. He was a progressive reformer as both education and justice minister. However, he will be remembered as "Charlie's warm-up man" a reference to his close ties to former prime minister Charles Haughey.

Together with Mr Haughey, he was one of a new generation of Fianna Fail modernisers. Mr Haughey appointed Mr Lenihan as deputy prime minister in Fianna Fail's majority government in 1987.

However, his mentor sacked him when Mr Lenihan refused to resign after accusations that he tried to influence the outcome of the presidential election in 1990 when he lost a contest with Mrs Mary Robinson, the Labour party's candidate. *John Murray Brown, Dublin*

Surge in Turkish trade deficit

Turkey's trade deficit increased almost fourfold in August, the government announced yesterday. The deficit rose to $1.44bn from $373m in August last year.

Although exports increased by 15 per cent to $1.75bn, imports climbed by 69 per cent to $3.19bn. Rapid recovery from last year's severe downturn, beginning in the second quarter of this year, increased Turkey's demand for imports. Economists said most of these imports were capital goods and raw materials, reflecting both a sharp increase in investment and an increase in industrial activity.

They said comparison with last year's figures was misleading because of unusually weak demand for imports in 1994.

However, with a deficit of $8.044bn in the first eight months of this year, which is more than twice that in 1994, Turkey may equal or exceed its $14.08bn deficit in the boom year of 1993. *John Barham, Ankara*

■ The Danish purchasing managers' index fell to 52.3 per cent in October compared with 57.4 per cent a month earlier, said the Danish Purchasing and Logistics Forum, a private statistics agency. This is the lowest level the index has been at since it was launched in May last year. The index is not seasonally adjusted.

■ New car registrations in Sweden rose 22 per cent to 16,696 in October compared with last year, the Swedish car registration authority said. In the first 10 months of 1995 new car registrations have risen 10 per cent over the same 1994 period.

Envoy recalled as Baltics argue over oil

By John Thornhill in Moscow

Lithuania yesterday announced it was recalling its ambassador from neighbouring Latvia in protest at the planned development of a disputed oilfield off the Baltic coast.

Lithuania has been angered that Latvia this week signed an agreement with Amoco, the US oil group, and Sweden's Olje Prospektering to explore and develop a field in the Baltic Sea without first settling outstanding border claims between the two countries. The Lithuanian government has sharply criticised Latvia's move, saying the contract threatened to violate the country's sovereignty.

Industry experts said a small prospecting project to evaluate the Baltic Sea's reserves would begin next spring and could lead to investment of up to $1bn.

Amoco said implementation of the exploration agreement was dependent on a resolution of the maritime border dispute between Lithuania and Latvia.

But it stressed that the quantity of reserves in the Baltic Sea was highly uncertain, with only two of 50 test drills having struck oil.

The most optimistic forecast, the company said, was that it might drill up to 60 wells at a cost of $1bn, which would be expected to produce oil early in the next decade.

At the signing ceremony, Mr Maris Gylys, the Latvian prime minister, said the deal did not cover the area at dispute between the two countries and gave assurances that no development would take place before the differences had been resolved.

But the Lithuanians were clearly not mollified.

"Since Latvia provided no official information in response to numerous Lithuanian expressions of concern, we are recalling our ambassador, as we need time to evaluate the current state of Lithuanian-Latvian relations," a Lithuanian foreign ministry official said.

The three Baltic states, which all aspire to membership of the European Union, are frequently bracketed together by the outside world but each boasts distinctive traditions and cultures.

Relationships between the three countries have generally been good in the face of their overbearing Russian neighbour and several pan-Baltic organisations have been formed to co-ordinate trade and economic activities.

But it is still difficult to travel directly between the capitals of the three countries and border checks remain rigorous.

Crunch time in 'radish' states

John Thornhill reports on problems in Estonia, Latvia and Lithuania

A Russian-speaking Estonian complains: "Our leaders are all radishes. They are all former communists: while they were red on the outside, they claim they were always white on the inside. But what have they given us? Only unemployment and foreign restaurants: two Indian, three Chinese and two Korean. The food is too hot and expensive. Who needs them?"

Not a textbook political analysis, perhaps, but a view that reflects a more general sense of disenchantment in the three Baltic states.

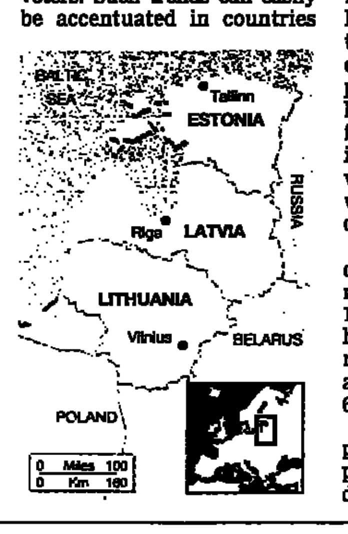
After seizing their independence from the crumbling Soviet Union in 1991, the three small but intensely individualistic countries have made striking progress towards establishing market economies and multi-party democracies. But as the first winter winds can be felt in the streets of the region's ancient capitals, there seems to be a sense of unease about the future – at times tinged with the bizarre.

In Lithuania last week, 7,000 protestors staged the biggest demonstrations since Soviet times, marching through the capital, Vilnius, to protest at the social pain inflicted by economic reform. Other Lithuanians, though, appeared more concerned to build the world's first monument to Frank Zappa, the zany American musician who struck an anti-establishment chord.

Further up the Baltic coast, in Latvia, many people appear to have gone on a tax strike after the collapse of several big banks, causing worrying budgetary problems for the government. In recent elections, they also voted heavily for a demagogic German emigré who speaks almost no Latvian but who courted popularity by doling out free bananas and aspirins. Even Estonia, which prides itself as the most sophisticated of the three states, has just been rocked by a ministerial bugging scandal which led to the resignation of the government and prompted the president to warn of "a crisis of the democratic state".

Estonia's police, meanwhile, spent their time seizing the print run of a weekly magazine accused of running advertisements for prostitutes.

From one perspective, these latest ructions may reflect no more than the Baltic interpretation of worldwide anti-establishment sentiments among voters. Such trends can easily be accentuated in countries experiencing rapid and unsettling change, and which are still trying to reconstruct a civil society brutalised by 50 years of Soviet occupation.



As an anguished liberal commentator wrote in Diena, the daily Latvian newspaper: "The elections to the sixth Seijm [parliament] turned into a powerful demonstration of people's protest, where the ovations were reserved for those orators who successfully listened to the people and who, like a storm, blew away the top politicians from Mount Olympus. The rage of the people must be recognised, even if it is not always justified!"

Local commentators suggest the political uncertainties have been exacerbated by the unequal distribution of the fruits of economic progress. While many of the "insiders" in the old communist regimes have grown rich by channelling cheap Russian commodities on to world markets and exploiting the privatisation process, the "outsiders" have had to endure high inflation, falling living standards, a rise in unemployment and, in Latvia, a full-scale banking crisis which has wiped out many depositors' savings.

Mr Teodors Tverijons, president of the Association of Commercial Banks of Latvia, says 15 of the country's 55 banks have closed in the past six months and estimates that about 200,000 depositors lost 60m lats ($120m) as a result.

"With hindsight, it might prove to have been a beneficial purification process. Confidence is being restored and bank deposits have risen again in August and September," he says. "But the people's belief in the system was temporarily destroyed."

In Estonia, even the officials are not certain how to interpret what is going on in their economy. The central statistics office believes the economy contracted 3 per cent last year; the central bank thinks it grew 5 per cent.

But, whatever the statistics, Mr Boris Zamoico, local representative of the International Monetary Fund, is effusive about the general trends, citing a stable currency, suppressed inflation, the almost complete liberalisation of foreign trade, and low interest rates. "This is a country on the right path," he asserts.

Despite the current uncertainties, the three countries still appear determined to break with their Soviet inheritance and re-integrate themselves with the west.

This month, Latvia submitted a formal bid for membership of the European Union; the political leadership of the region still hold out hopes of joining Nato.

But a substantial ethnic Russian population remains a potentially destabilising force and their more extreme representatives have been drawing succour from the renewed wave of nationalism in Moscow. Nonetheless, most commentators still believe that progress towards liberal market economies stands more chance of success in the Baltic states than anywhere else in the former Soviet Union.

Yeltsin raises minimum wage and pension

By Chrystia Freeland in Moscow and agencies

Mr Boris Yeltsin, Russia's president, yesterday signed laws increasing the minimum wage and minimum pension by 15 per cent, to be phased in over the next two months.

In a sign that Mr Yeltsin may be regaining his health after a mild heart attack last Thursday, he met Mr Victor Ilyushin, a senior Kremlin adviser, the first political official to see him since he was admitted to hospital.

Until yesterday, the final day for registration of electoral blocs, doctors had barred access to Mr Yeltsin except for family and security guards. This contributed to speculation that his condition may be more serious than Kremlin officials suggested. No pictures or television footage of the president have been released.

Doctors say Mr Yeltsin will be under close medical supervision until the end of this month and will be confined to bed until the end of this week. But a stream of official health updates, backed by comments from his wife, Naina, and the meeting with Mr Ilyushin, indicated he was ready to resume running Russia from his hospital bed.

The minimum wage increase is an apparent effort ahead of December's parliamentary elections to appease disgruntled voters hurt by the government's austere budgetary policies, which have led to a drop in living standards. It is also a sign of the success of the harsh measures in stabilising the economy. Mr Yevgeny Yasin, the minister of the economy, said yesterday inflation in October was likely to come in at 4.9 per cent. Although the rate was 0.4 per cent higher than in September, it represents a significant achievement because in previous years the Russian government has abandoned its stringent policies in August, leading to an autumnal jump in inflation.

Meanwhile, Mr Grigory Yavlinsky, the leader of Yabloko, Russia's second most popular political party, yesterday launched an appeal to the Supreme Court over a weekend ruling to ban his party from the elections – because it had violated rules by dropping six candidates from its list against their wishes.

The ruling by the electoral commission has stirred a political storm in Moscow and cast doubt on whether the elections would be conducted in a democratic manner.

Mr Yeltsin's press service said yesterday that the Kremlin chief was confident the Supreme Court would hand down judgments "in full accordance with the law".

Other democratic groups have supported Mr Yavlinsky, while the election favourites, the Communist party, says the whole issue could be a publicity ploy.

The electoral commission says that it has officially registered a total of 35 parties, including most mainstream groups, opening the way for full-scale political campaigning to begin.

Commission officials said the 35 included leading opposition groups. But Yabloko, remained barred pending the outcome of its appeal, as did five other parties, including the Derzhava party of former rebel vice-president Alexander Rutskoi.

Meanwhile, the Communist party said yesterday that it could join forces with a popular nationalist movement in the to form a powerful coalition that could dominate the new parliament.

The communist leader, Mr Gennady Zyuganov, said his party was in close contact with the Congress of Russian Communities (KRO), whose star is the charismatic ex-general and presidential hopeful, Mr Alexander Lebed.

KRO is a nationalist movement which appeals to millions of ethnic Russians across the former Soviet Union and has strong ties with Russia's military-industrial complex.

Public opinion polls indicate that the Communists and KRO are two of Russia's most popular parties. Their alliance would likely mean that the parties would jointly back a single candidate in selected constituencies, while maintaining their independent identities.

Mr Zyuganov said the communists already have an arrangement like this with the hardline Agrarian party in 43 constituencies and are holding negotiations in another 11.

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NEWS: EUROPE

Holbrooke sees 'tough slog' to achieve peace in Bosnia

By Jurek Martin in Washington

Mr Richard Holbrooke, the chief US negotiator, predicted "tough slogging" in the Bosnian peace talks which opened at a military base near Dayton, Ohio, yesterday.

In a last-minute blizzard of interviews before Mr Warren Christopher, the secretary of state, called the presidents of Bosnia, Serbia and Croatia into an opening plenary session, Mr Holbrooke said it would not be easy to reconcile their differences.

He described friction within the Bosnian delegation as "a major concern," was cautious about whether Croatia could be dissuaded from invading its Serb-held region of eastern Slavonia, and was forced to go to some lengths to defend the participation of President Slobodan Milosevic of Serbia. The latter is accused by Bosnians of complicity in atrocities committed in Srebrenica and elsewhere.

But, he added, "you don't make peace with friends", and observed that all three had committed themselves to trying to negotiate a settlement. "They came because they all see that a military victory is no longer possible for any of the combatants."

That sentiment was echoed by Mr Christopher on his arrival at the Wright-Patterson air force base. "I hope that some day Dayton, Ohio, will be remembered as the site where the killing was finally brought to a halt and we started building a better future for all the people of the former Yugoslavia," he said.

Following the opening session with all present, including officials of the five-nation "contact group" and Mr Carl Bildt, the EU representative, the negotiations take the form of "proximity" talks, with Mr Holbrooke shuttling between delegations housed in relatively spartan, but equal, accommodations.

The US team has drawn up several concrete proposals, covering territorial divisions, arms reduction, political and electoral arrangements and a document on the future of Sarajevo, the capital of Bosnia.

No time limit has been set, though US officials hope for a resolution within 2-3 weeks. President Franjo Tudjman of Croatia will leave the talks later this week to return to Zagreb for a couple of days, but otherwise the US hope is that there will be no break in the negotiations.

The media will be kept off the base after the opening round and all news is to be disseminated, from the US side, by the State Department spokesman in Washington. However, all three delegations have telephone contact with the outside world and US officials concede that some leaks are inevitable.

Mr Holbrooke said it was "not my role here to make a judgment" on President Milosevic's protestations that he neither knew of nor condoned the Srebrenica atrocities. But he added: "You can't make peace without President Milosevic."

He noted that Mr Radovan Karadzic and General Ratko Mladic, the political and military leaders of the Bosnian Serbs, would have been arrested for war crimes had they come to the US.

Mr Holbrooke (right) and Bosnian PM Haris Silajdzic confer on the latter's arrival in Dayton, Ohio yesterday Reuter

Editorial Comment, Page 15

German steel industry reduces workers' hours

By Michael Lindemann in Bonn

Leading German steelmakers have put parts of their workforces on short-time working because new orders have recently fallen by up to 10 per cent compared with a year ago.

The fall in new orders may be an early indicator of another steel recession which, on the basis of previous steel cycles, might begin in 1997. However, the companies insisted that the fall in new orders did not immediately represent falling demand for steel in the car industry or among engineering companies. "Demand has remained constant," a spokesman said.

During the past year orders had risen rapidly as steel traders and others replenished the stocks they had run down during the last recession in 1993 and early in 1994.

Industry sources also said that German steelmakers – including companies such as Thyssen, Krupp Hoesch and Preussag – were trying to slow production over the next few months in order to keep prices steady during annual negotiations with the car industry, the steelmakers' most important clients.

Thyssen Stahl, Germany's biggest steelmaker, said about 1,500 of its flat steel employees – about 4 per cent of the company's total workforce – would be working short-time in November and December.

Preussag said part of 7,000-strong flat steels work-force would begin short-time working in November and that this would continue until the end of the year. "In the first quarter of next year we expect to be working normally again if everything stays as it is at present," the company said.

Thyssen said that by ordering short-time working German steelmakers were simply following other European steelmakers such as British Steel and Usinor Sacilor of France which had started short-time working earlier this year for the same reason.

Thyssen said new orders had fallen 10 per cent in the third quarter of this year compared with the same period a year earlier. The company said, however, that its most recent financial year, which ended on September 30, had been "excellent" for steel and that it expected another "very good steel year" next year. "Historically a steel recession would then come some time in 1997," the company said.

Greater flexibility is aim of French accord

By John Ridding in Paris

France's trade unions and employers' federation have reached outline agreement on increasing the flexibility of working hours and paving the way to a shorter working week, although one leading leftwing union refused to sign.

The agreement, reached late on Tuesday night after eight months of talks between unions and the Patronat, mandates industry and union organisations to negotiate cuts in the standard 39-hour week. Negotiations are due to start by the end of January.

Mr Alain Juppé, the prime minister, welcomed the accord between the Patronat and four of the country's biggest unions as "extremely positive". Mr Jean Gandois, the employers' leader, told the daily Le Monde that the agreement could create 300,000-400,000 jobs over the next two years.

Under the terms of the framework agreement, employers can average out annual working hours to increase flexibility in labour supply and demand. In return, they have accepted the principle of a reduction in total working hours. However, important questions concerning a reduction in the overall hours worked annually and corresponding reductions in pay have been left to the local and industry branch talks.

Reduced working hours have long been at the centre of the political agenda, reflecting France's chronic unemployment problem. Figures this week showed a sharp rise in joblessness in September and an increase in the unemployment rate from 11.4 per cent to 11.5 per cent. The second consecutive increase has fuelled fears about a slowdown in the economy and a reversal of the past year's trend of falling unemployment.

Referring to the agreement by employers to negotiate reduced working hours, Mrs Nicole Notat, head of the CFDT union federation, said "a taboo has been lifted". Force Ouvrière, the CFTC and the CFE-CGS were the other unions which backed the accord.

However, the Communist-led CGT refused to sign the agreement, claiming it was "aimed at increasing the flexibility of companies without really creating jobs". The union said the averaging of working hours over the full year was "just a charter for unpaid overtime".

EU rules row blocks $300m loan to Greece

By Kerin Hope in Athens

The European Investment Bank is blocking loans of more than $300m to Greece's state electricity utility for two big projects because of a dispute among Greek officials over compliance with EU environmental rules.

The EIB, which provides long-term loans at favourable interest rates for projects in EU member states, is refusing to release funds to the Public Power Corporation (PPC) until the projects are approved by the Environment Ministry.

The ministry has delayed issuing approvals because of arguments with the PPC over how stringently EU environmental standards should apply.

The EIB's block on lending reflects impatience with Greece's record on implementing EU environmental rules and the political infighting between the country's public administration and powerful state-controlled corporations.

"The Environment Ministry has to be more effective at imposing the correct standards," one official said.

Last week, the EIB told PPC no future loans would be approved unless the utility set up a monitoring unit to co-ordinate environmental policy and keep in touch with residents in areas where new projects are planned.

Environment Ministry officials said yesterday they were close to approving the PPC's environmental impact study for one project, the Agios Dimitrios power plant in northern Greece. A full study for the other project, a desulphurisation unit to reduce emissions at a power station at Megalopolis in the south, has not been submitted.

Both plants are fuelled by lignite, a coal producing high levels of sulphur. Because lignite is mined by PPC at opencast mines and carried on conveyor belts to power stations, dust can also cause environmental problems.

PPC would normally be eligible for EIB loans covering up to 45 per cent of the total cost of both projects, estimated at more than $300m. PPC is the bank's largest Greek borrower, with more than Ecu700m ($917m) in outstanding loans, equivalent to 15 per cent of total EIB exposure in Greece.

PPC officials deny they are indifferent to environmental standards. They claim the Environment Ministry delays approving environmental impact studies for new power projects because, allegedly, it lacks the expertise to evaluate them.

Environment ministry officials claim PPC has tried to push ahead with new projects in defiance of EU rules. One said: "It's only since the EIB blocked the loans that the PPC started to talk to us seriously about compliance with environmental legislation."

NEWS: WORLD TRADE

German 'job exporting' debate is renewed

Record outward investment figures focus attention on employment costs, writes **Michael Lindemann**

When the government in Bonn publishes figures of German companies' investments abroad, the talk tends to be not about where the money has gone, but how many jobs may have gone with it.

The debate about the future of jobs in Germany, which are already the most expensive in the European Union, is set to become louder after German companies invested a record DM28bn (£12.7bn) abroad in the first six months this year.

The figure, published last week, is 212 per cent higher than for the same period a year earlier and comes just weeks after a controversial decision by Siemens, the electronics group, to spend DM2.5bn on a new semiconductor plant creating 1,000 skilled jobs in northern England.

Analysts point out that the outward direct investment figures include foreign acquisitions by German companies seeking new markets abroad, such as Allianz, Europe's biggest insurance company. But the underlying trend suggests that German employers, particularly in the chemicals and motor vehicle industries, are continuing to seek out cheaper foreign locations.

While German direct investment abroad has been growing steadily in recent years – and has consistently outstripped that by foreign companies in Germany – the latest figures will serve to concentrate the minds of Chancellor Helmut Kohl, industry leaders and trade unions officials who have been trying recently to find ways of keeping jobs in Germany.

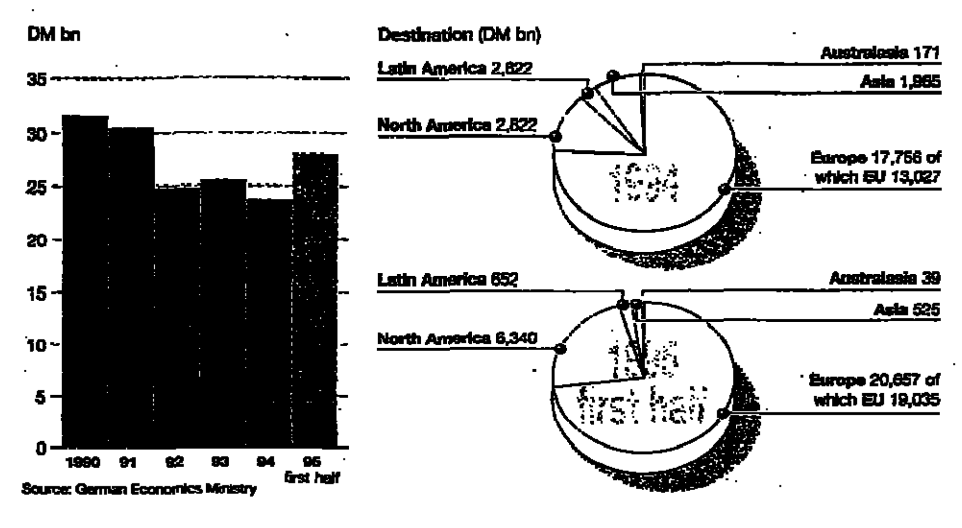
The investments abroad are a particular bane for Mr Hans-Olaf Henkel, head of the Federation of German Industry, or BDI, who estimates that 300,000 German jobs have migrated abroad in the past five years.

"Foreign companies hardly ever invest in German industrial jobs any more," he told a recent German economic summit. "And a growing number of our investments abroad are not based on efforts to expand existing markets or break into new ones but are influenced by the costs in Germany."

The Federation of German Trade Unions this week accused Mr Henkel of trying to "scare the nation" with his figures on job losses. But there is also evidence that those costs continue to rise.

Last week contributions to the German state pensions scheme, under which employees make payments that are matched by their employers, rose from 18.6 per cent to 19.2 per cent. At the same time the Federal Association of Energy Users published figures showing that in some cases electricity in Germany costs 35 per cent more than the average price in EU countries.

Germany: direct investment abroad



Source: German Economics Ministry

More than half the DM28bn invested abroad has gone to five west European countries where German companies have been expanding in recent years. Britain, where labour costs are lower than German ones, was the main destination for German investments in the first half of this year and last year.

While many companies are reluctant to admit they are exporting jobs, Thyssen, the steel and engineering group, makes no bones about it.

In recent years Thyssen has bought a number of UK companies specialising in castings and pressed metals for the motor industry.

"It's most definitely a question of exporting jobs," said Mr Peter Blau, a Thyssen spokesman. "When it comes to making the same products with the same number of people we can make a profit in the UK but are still making losses in Germany."

It is difficult to say what other factors are influencing German investment decisions because neither the Economics Ministry nor the Bundesbank is allowed to give a precise breakdown of the figures.

Several German companies made big acquisitions abroad during the six-month period as part of their international expansion plans which have no direct impact on German jobs.

Allianz, for instance, spent about DM5bn to buy insurance companies in Italy and Switzerland. BASF, the chemicals group, spent around DM2bn to buy the prescription drugs arm of Boots, the UK retailer, saying the purchase would give the German group access to foreign markets and extend its products range.

Two factors which have helped determine other recent German investment decisions, while not a big part of the latest figures, are likely to ensure that future direct investment outflows remain high, according to Mr Gert Schmidt, a spokesman for the IKB Deutsche Industriebank.

One is the need to manufacture with a high local content – a decision driving many German investments in Asia. The other is the trend to move production to Germany's cheaper eastern neighbours.

While the sums being invested in former communist countries are small, the investment flows are steady and likely to grow significantly, Mr Schmidt said.

Meanwhile, inward investment rose by 277 per cent during the first six months, but the amount remains relatively low at DM6.64bn. Some 76 per cent of that is described as investment in "services provided for companies", a category which covers legal and transport services and data processing.

Renault wins big order for electric cars

By John Ridding in Paris, Christopher Brown-Humes in Stockholm and Haig Simonian in London

Renault has won what it claims to be the world's biggest single contract for electric cars with the sale of 150 vehicles to Nutek, a Swedish public sector organisation promoting energy conservation and technology.

An electric version of the French company's Clio hatchback will be tested by a 25-strong group of local authorities and public and private sector companies.

Nutek said the final order could reach 1,000 vehicles if more buyers come forward. That would give a big fillip to the gradually expanding electric car market.

Larger orders have been made for electric utility vehicles, such as rubbish disposal and delivery vans, but electric car orders have been for small batches.

Nutek, which supplied the specifications for the tender, will provide a subsidy of SKr15,000 ($2,273) per vehicle. Each car, which has a top speed of about 95kph and a range of 85km, will cost around SKr200,000.

In Europe, Sweden claims to be at the forefront of the commercial introduction of electric and hybrid cars. Electric cars produce only 10 per cent of the greenhouse gases and 30 per cent of the pollution of normal cars, and trial projects are under way in Stockholm, Gothenburg and Malmö, Sweden's three largest cities.

In California, which is leading the world drive for low-emission vehicles, electric vehicles will be on sale from 1998 as part of a campaign to reduce pollution.

The Swedish contract comes as the French government and the country's car manufacturers are making a concerted push into electric vehicle development.

In April this year, the French government and Electricité de France, the state utility, announced a promotion scheme which provides a subsidy of FFr15,000 for electric car customers.

The subsidies, which are due to last until the end of next year, are designed to help encourage mass production of electric vehicles and to attain a market of about 100,000 electric cars in France by the year 2000.

WORLD TRADE NEWS DIGEST

Piqued minister calls off meeting

Attempts to renegotiate the $2.8bn Dabhol power project, "cancelled" in August by the Indian state government of Maharashtra, fell foul of pride and protocol yesterday when the state's chief minister called off the first meeting with officials from Enron, the US power group leading the project, because they turned up late.

"They have not come on time, so I cancelled it," said Mr Manohar Joshi, the state's chief minister. "If they want to meet the head of state, they should be punctual." Mr Joshi's Hindu nationalist government has agreed in principle to reopen talks on the project.

Enron immediately released a formal apology for missing the meeting. Mr Kenneth Lay, Enron's chairman, and Ms Rebecca Mark; the chief executive officer, were apparently detained by an earlier meeting with Mr Bal Thackeray, who heads the Shiv Sena party, senior partner in the state's ruling Hindu nationalist coalition. Enron "reiterated its commitment to the negotiation process", while Mr Joshi suggested he would "decide in due course" on a future meeting. The incident is not expected to prevent the resumption of talks.

The state government has agreed to reopen talks on the project, a two-phase 2,015MW power plant which is India's biggest foreign investment, provided Enron addresses the issues of reducing the cost of the project, cutting the eventual power tariff and the impact on the environment. Enron has said it would. *Mark Nicholson, New Delhi*

EU holds out on WTO disputes

The World Trade Organisation was yesterday forced to adjourn a meeting of its disputes settlement body after the European Union said it was not ready to agree a proposed list of nominees for the organisation's new appeals tribunal.

Mr Don Kenyon, DSB chairman, said he hoped to reconvene the meeting in "no more than a few days". On Monday EU ministers said they would accept a single seat on the seven-person tribunal rather than the two they had originally demanded, provided the representation of the Asia-Pacific region was also reduced. The proposed list includes four candidates from member countries of the Asia-Pacific Economic Co-operation forum – the US, Japan, the Philippines and New Zealand. The others are from Germany, Egypt and Uruguay.

Trade diplomats in Geneva said yesterday that Brussels would almost certainly fail in its bid to amend the list. "We have been round the course many times and the list is balanced," one official said.

Members of the appeals body are supposed to be "broadly representative" of the WTO membership and will be required to operate independently of nominating governments. Three judges will hear each appeal. *Frances Williams, Geneva*

Suez Canal cuts tanker tolls

The Suez Canal yesterday said it would reduce tolls for crude oil tankers by 20 per cent to reverse a sharp fall in traffic on the waterway. Mr Ezzat Adel, chairman of the Suez Canal Authority, said the discount would take effect from January 1 and covered all crude oil tankers, loaded or empty, passing between the Red Sea and the Mediterranean. Charges on all other ships would be frozen for a second year running to help the canal tolls stay competitive, he added.

Last year the number of ships using the Suez Canal, a source of foreign currency revenue for Egypt, fell by nearly 1,000 to 16,370. It was the lowest since 1976 when the canal was still recovering from seven years of closure following the 1967 Arab-Israeli war. Crude oil shipments also fell back last year to just under 34m tonnes, compared to 42m in 1993.

The canal faces competition from the Sumed pipeline, which pumps crude oil from the Red Sea to the Mediterranean, and from the Cape route. *Reuter, Cairo*

Contracts and ventures

■ General Electric unit GE Aircraft Engines has won an order worth $145m from the Spanish Air Force for 51 of its F404-GE-400 fighter engines. Spain will take delivery of 13 of the engines this year and the remainder will be delivered by 1998. *AFX News, New York*

■ DTZ Debenham Thorpe of the UK, CB Commercial of the US and C Y Leung of Hong Kong are jointly marketing one of Beijing's biggest retail and office developments comprising 1m sq ft in the city centre. The firms, which have been appointed leasing agents for the Beijing Oriental Plaza, are negotiating with a number of international retailers interested in becoming anchor tenants. *Andrew Taylor, Construction Correspondent*

■ Kia, South Korea's second largest vehicle maker, and Ford Motor Credit, a unit of Ford of the US, have established a joint venture car finance company for Korean buyers. Kia Ford Credit Finance has an initial paid-in capital of Won33.3bn ($44m) which will be increased yearly, Ford said. The venture will be launched on January 1, 1996 in Seoul, with plans to expand nationwide. The car financing joint venture will not limit itself to financing Kia and Ford car buyers. *Reuter, Seoul*

NEWS: ASIA-PACIFIC

US and Japan seek to defuse bases row

By William Dawkins in Tokyo

The US and Japanese governments yesterday moved to defuse the crisis over their security alliance by confirming there would be no cuts in US forces stationed in Japan.

In return, Mr William Perry, US defence secretary, agreed in meetings with senior Japanese officials and politicians to discuss moving some troops based on the southern island of Okinawa, on to the Japanese mainland.

The accord is intended to assuage the outburst of Japanese public resentment at the US military presence provoked by the alleged rape in early September of an Okinawan schoolgirl, over which three US servicemen have been charged.

It has aroused worries in Washington and Tokyo that Japanese public support for the alliance, seen as crucial to Asian security, has declined since the Soviet Union collapsed. The US military sees Okinawa as vital to projecting its presence in south-east Asia.

The island hosts three-quarters of US military installations in Japan, including, Mr Perry said yesterday, 30,000 of the 47,000 US troops stationed there. Islanders have long complained they bear more than their fair share of Japan's defence burden.

Meetings yesterday between Mr Perry, Mr Yohei Kono, Japan's foreign minister, and Mr Seishiro Eto, director-general of Japan's defence agency, agreed to set up a panel of top officials from each side to negotiate the consolidation of US bases in Okinawa.

Prime Minister Tomiichi Murayama also agreed with Mr Perry that the two sides should issue a strong statement stressing the importance of the security alliance when Mr Murayama and US President Bill Clinton hold a summit in Tokyo on November 20.

Yesterday's accord should smooth the way for Mr Murayama to persuade the island's governor, Mr Masahide Ota, to drop his refusal to sign leases for land occupied by the US military, due for renewal from next March. The agreement speeds an existing US-Japan review of US bases in Okinawa, designed to reduce the amount of land they occupy.

In a gesture to Japanese sensitivities, Mr Perry repeated US apologies for the alleged rape. "On behalf of all members of the armed forces, I want to express my sorrow and anger." He wanted to apologise for the pain and concern the matter had caused the Japanese people, he added.

However, he resisted Japanese requests to revise the so-called status of forces agreement, which lays down the legal conditions under which US troops are based in Japan. The two sides should use an existing joint committee, or the new Okinawa panel, to sort out difficulties, he said.

While yesterday's accord patches up the immediate crisis, it may take longer for Japanese public resentment to subside. Asked whether the continued presence of 47,000 US troops was necessary, Mr Koken Nosaka, chief cabinet secretary, replied: "Are the 47,000 troops absolutely necessary? The US is saying they are."

MERRILL LYNCH PUNISHMENT TO BE ANNOUNCED TODAY

Japan's Finance Ministry will announce sanctions today against the Tokyo branch of Merrill Lynch, the US investment bank, for violations of share trading rules, writes Gerard Baker. Mr Masayoshi Takemura, finance minister, said yesterday officials had been interviewing Merrill's managers responsible about the case this week. He added that action would be taken in line with last Friday's recommendation by the Securities and Exchange Surveillance Commission that Merrill be punished for illegal trading.

The punishment is thought likely to be mild, however, in line with the venial nature of the offence. Most likely is a two-day suspension of the company's relevant Tokyo operations.

Merrill is accused of having improperly traded stocks of companies for which it had acted as underwriter. Under ministry rules, brokers may trade such shares only in order to stabilise the price in an initial trading period. The SESC found that Merrill had broken the rule over a period of several years. But it stressed that it did not believe the violation had been intended to manipulate the price of the shares. Merrill's lawyer acknowledged last week that the company had committed a technical infringement of the ministry's rules and said the company would comply with the authorities' instructions.

Critics point to falls in stock exchange prices

Thai finance minister under pressure to quit

By Ted Bardacke in Bangkok

Thailand's finance minister, Mr Surakiart Sathirathai, is fighting for his political future amid calls from members of the country's ruling coalition for him to step down in an effort to protect the image of the new Thai government.

Mr Banharn Silpa-archa, prime minister, said yesterday that he had no plans for an immediate cabinet reshuffle, despite pressure for change from prominent members of his own Chart Thai party. Mr Surakiart said he did not feel his position was being threatened by the prime minister, to whom he is very close.

Mr Surakiart, an international law expert and an adviser to several Thai leaders in the past, was appointed from outside parliament three months ago amid heavy criticism that he had no direct experience with finance and banking.

Although he has slowly won over some initial sceptics, the poor performance of the Thai stock market, down over 12 per cent since his nomination, has made him an easy target for the unruly politicians of Mr Banharn's fragile seven-party coalition.

In a poll of Bangkok residents, due to be released today, 60 per cent of respondents say changes to the cabinet are needed in order to protect the image of the government and the ministry seen as most in need of a change is finance.

"Thai society has always linked the price (of shares on the stock market) to the performance of the finance minister. This is a problem and I'm quite worried," Mr Surakiart said. "By this measure, no finance minister in the region is performing well."

But many observers believe that Mr Banharn will not be able to contain pressure from within his coalition and that a cabinet reshuffle will occur before the next session of parliament, scheduled for March.

Such a reshuffle would allow Mr Banharn, a conciliatory leader, to dole out favours to some of his powerful supporters.

Most vulnerable would be the two non-elected cabinet members, Mr Surakiart and Mr Kasem Kasemsri, foreign minister, who both lack personal power bases.

Politicians calling for a reshuffle have said it is needed to improve the image of the government in the press and among urban elites.

Yet some analysts note the two cabinet members under fire are also two of the most competent members of the government.

Replacing them with traditional patronage politicians, these analysts say, could worsen the government's image rather than improve it and therefore actually hasten the government's collapse. No elected Thai prime minister has ever served out his full four-year term.

South Korea's former president Roh Tae-woo arrives for interrogation by prosecutors yesterday after admitting last week he amassed a Won500bn ($653m) slush fund during his 1988-93 term AP

ASIA-PACIFIC NEWS DIGEST

Thousands flee besieged Jaffna

Thousands of Tamil families are fleeing Jaffna, capital of Sri Lanka's northern province and long-time stronghold of secessionist rebel forces, as the army pursues its campaign to retake the now nearly deserted city. An official of the Tamil United Liberation Front, the island's largest Tamil parliamentary party, said the Tamil "Tiger" guerrillas had already "vanished".

The Liberation Tigers of Tamil Eelam took a severe beating on Tuesday in the battle for Neerveli, a small town 7km from Jaffna. "The LTTE tried to take the army head-on and lost too many men. They should have stuck to their guerrilla warfare at which they are really first-rate," said Lt Gen Dennis Perera, a former army commander. Diplomats in Colombo and the opposition parties expect that Tamil expatriate groups may now canvass support for international mediation. The government is not likely to consider this until the army moves into Jaffna and hoists the Sri Lankan Lion Flag once more at the Government Agent's office. *Mervyn de Silva, Colombo*

Indian protests shut KFC shop

Kentucky Fried Chicken, the US food giant, closed its outlet in the southern Indian city of Bangalore for a day yesterday as thousands of farmers held a rally against multinational companies in India. Mr M.D. Nanjundaswamy, who leads a farmers' group in the state of Karnataka of which Bangalore is the capital, had threatened that activists would disrupt operations at the store in protest against India's economic liberalisation programme.

"Multinationals are here to loot the country and the government is being a party to it by inviting them," Mr Nanjundaswamy alleged. KFC has opened two stores in India this year, including one in New Delhi, under the liberalisation policies of Premier P.V. Narasimha Rao. KFC and Pepsi-Cola have become symbols in a protest against foreign companies. Several international computer groups have offices in Bangalore, but the protesters were not targeting them. *Reuter, Bangalore*

Suit seeks Y26bn over air crash

Japanese and Taiwanese relatives of almost half the 264 people killed in the 1994 crash of a Taiwanese Airbus filed a suit with a court in Japan yesterday seeking Y25.7bn (£160m) in damages. It was the biggest single damages suit in connection with an air crash in Japan. Relatives of 121 victims – 92 Japanese and 29 Taiwanese – of the crash at Nagoya airport in central Japan filed the suit at the Nagoya District Court. It demands that China Air Lines and Airbus Industrie pay Y100m in damages for each victim, plus compensation for their lost earnings.

Only seven passengers survived the crash on the evening of April 26 last year, in what was Japan's second worst aircraft disaster. Of the 264 killed, 154 were Japanese. The largest previous air crash suit in Japan was filed by relatives of 55 victims of the 1985 Japan Airlines crash, seeking Y13bn. In that crash, an out-of-court settlement was reached, but the details were not made public. *Reuter, Tokyo*

■ Private sector proposals totalling $6bn (£3.8bn) to develop India's outdated ports have breathed new life into a stalled three-year-old privatisation scheme, India's Surface Transport Ministry said. *Reuter, Bombay*

■ South Korea's customs-cleared trade deficit in October dropped to $165m (£104m) from $224m a year earlier, provisional Trade Ministry figures showed. *Reuter, Seoul*

Quebec business braces for rough ride

Popular separatist Lucien Bouchard is tipped to take over from Parizeau

By Robert Gibbens in Montreal and Bernard Simon in Toronto

Quebec business leaders are bracing for a long period of uncertainty amid indications that secessionists will continue their drive for independence after Monday's narrow referendum defeat.

However, some Montreal businessmen expressed guarded optimism that the resignation of Mr Jacques Parizeau, the hardline secessionist premier, would spur the Parti Québécois government to give greater attention to economic issues. Mr Parizeau, who announced his resignation on Tuesday, has been preoccupied with the independence project since the PQ took office 14 months ago.

The front-runner to replace him is Mr Lucien Bouchard, the more pragmatic leader of the Bloc Québécois, the group which represents the separatist cause in the federal Parliament. Mr Bouchard, who is by far Quebec's most popular politician, was the driving force behind the separatists' strong showing in the referendum.

The referendum question, linking independence to a new political and economic "partnership" with Canada, was rejected by a slim 50.4-49.6 margin. The separatists have vowed to keep the independence issue alive.

Mr Ghislain Dufour, head of the Patronat, Quebec's leading employer group, said that "business found it difficult to talk to Mr Parizeau, but could quickly build a rapport if Mr Bouchard becomes premier." He added that, unlike Mr Parizeau. "Mr Bouchard was not negative towards Bombardier [the Montreal-based aerospace group] and other Quebec-based companies in the referendum campaign."

Quebec bonds have joined the overall rally in Canadian financial markets since the referendum. The premium on Quebec long-term issues has narrowed in the past two days from 0.90 to 0.72 basis points above similar Canadian government issues. However, the spread remains wider than all other Canadian provinces, except Newfoundland.

One New York-based fund manager predicted yesterday markets would focus mainly on Canada's economy in coming months. But "there is still a pretty big risk in Quebec," he said. Quebec's fiscal problems are among the most serious of Canada's 10 provinces. Its debt equals over 58 per cent of gross domestic product, compared to 36 per cent for neighbouring Ontario.

However, there is no urgency for Quebec to test international capital markets. The province, as well as Hydro-Quebec, the public-sector power utility, covered their entire 1995 borrowing needs prior to the referendum.

According to Toronto-based Dominion Bond Rating Service, Quebec has sufficient resources to delay further borrowing for six months.

Mr Pierre Cleroux, Quebec vice-president of the Canadian Federation of Independent Business, cautioned that Mr Parizeau's departure might delay some important economic decisions and that uncertainty would continue with another referendum possible in two or three years.

Quebec premier Jacques Parizeau announces his resignation as his wife Lisetta looks on AP

Mr Patrice Simard, president of the Montreal Chambre de Commerce, said the sovereignty issue had been a factor for 25 years. Uncertainty would continue, he said, but there was less reason now for any exodus of companies or English-speaking people.

Dozens of multinational companies, mainly in aerospace, pharmaceuticals and computer software, have operations in the Montreal area.

Business leaders said that new direct investment in Quebec might require generous government incentives until the political climate improved.

One test case could be Volvo, the Swedish vehicle manufacturer. Volvo bought a Quebec City bus builder earlier this year, and has looked over a mothballed car assembly plant near Montreal, owned by South Korea's Hyundai.

Fresh doubts raised over US economy

By Michael Prowse in Washington

Figures released yesterday raised fresh doubts about the strength of the US economic expansion.

Purchasing managers reported an unexpected decline in their index of manufacturing activity to 46.8 per cent, against 48.3 per cent in September, well below the 50 per cent threshold for expansion in the sector.

Separately, the Federal Reserve published an assessment of lacklustre growth prospects in its latest "beige book" on regional economic trends. It said retail sales were soft and below expectations in many areas last month.

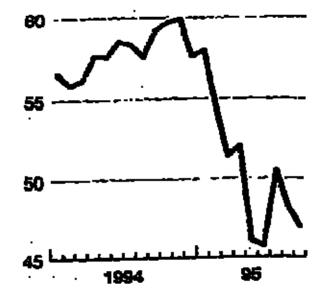
The official index of leading indicators – designed to provide advance warning of recessions – was also reported down 0.1 per cent in September.

On Wall Street bond prices rose sharply in early trading as the weak figures were seen as increasing the likelihood that the Fed will cut interest rates later this year – provided Congress and the White House reach agreement on balancing the federal budget. By early afternoon the benchmark 30-year bond was up ⅝ at 107⅞ to yield 6.28 per cent.

The purchasing index has moved up and down erratically since the spring, but has been generally much weaker than last year. The index has been below the 50 per cent threshold for growth in five of the past six months, reflecting manufacturers' efforts to curb production and reduce excessive levels of inventories.

The beige book indicated the economy was still growing at a "moderate" pace, but probably slower than during the summer. Consumer spending reports indicated a "possible slowing of demand." However it noted an offsetting pick up in exports and demand for some business equipment.

US Purchasing Managers' Index



Source: FT Extel

The drop in the leading index reflected falls in commodity prices, consumer sentiment, and higher claims for unemployment insurance. It followed a revised increase of 0.1 per cent in August and a decline of 0.2 per cent in July.

Yesterday's data follow a series of mostly encouraging signals on the economy. Last week gross domestic product data showed economic growth at an annualised rate of 4.2 per cent in the third quarter, much higher than expected. Orders for durable goods were also robust, rising 3 per cent between August and September.

However, the weak purchasing index is likely to reinforce speculation that third quarter growth overstated the economy's strength.

"The Fed should be easing now because the economy will look a lot weaker in six months," said Mr Edward Yardeni, chief economist at CJ Lawrence, a New York broker.

Many economists believe economic growth will slow to an annualised rate of 2-2.5 per cent in the fourth quarter, but most still regard recession as a remote prospect.

Falklands eyes air connection with Santiago

By David Pilling in Port Stanley, Falkland Islands

The Falkland Islands should soon be connected by a twice-weekly flight to Santiago, Chile's capital, ending 13 years of near-total dependence on Britain's Royal Air Force for links with the outside world.

The Santiago flight, to be operated by DAP, the Chilean airline, is expected to be in service by December and will mark an "economic leap forward" for the islands, according to Mr Mike Summers, general manager of the Falkland Islands Development Corporation. Final negotiations are under way between DAP and Carib, a Barbados-based airline, for the lease of a BAE 146 aircraft.

The twice-weekly flight, which will connect with a British Airways scheduled service to London, will give islanders their first convenient link to the South American mainland since the 1982 Falklands war.

Since then, islanders travelling by air have had only two options – a no-frills RAF flight to Brize Norton, Oxfordshire, or DAP's Twin Otter service to Punta Arenas in southern Chile. The latter has not effectively broken the Falklands' isolation from the mainland, carrying fewer than 16 passengers and flying only twice a month in the winter.

DAP plans to carry up to 86 passengers on its new Chilean service. The return fare to Santiago, via Punta Arenas, would be $800, according to Mr Alex Pivcevic, managing partner at the airline. FIDC plans to support the launch of the new route by buying $180,000-worth of seats.

As well as serving outbound Falklanders, the new flight would boost fledgling tourism by encouraging visitors to South America to add the Falklands to their itinerary, said Mr Summers. Last year, fewer than 200 tourists visited the islands, apart from cruise passengers. The service would also encourage business people to visit, given the recent launch of a Falklands oil licensing round.

The new service would also help to develop the fishing industry, the mainstay of the economy, by encouraging boats to stay on in the Falklands during the off-season.

Some Falklanders fear that if a convenient route to Chile is established, the RAF might cut its passenger service to the UK. "We would fight very hard for that not to happen," said Mr Summers.

Income is soaring but public investment lags behind

Boom times for California

By Christopher Parkes in Los Angeles

California is trapped in a budgetary gridlock which endangers educational standards and other infrastructure essentials, even though the economy is creating more jobs, income and households than the rest of the US, a leading regional forecasting unit has warned.

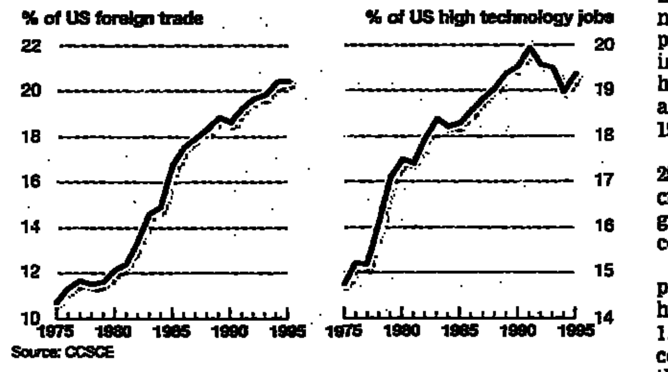
Most of the jobs lost in the 1990-93 slump had been regained by the end of September this year, and personal incomes rose more than 7 per cent in the six months to the end of June, according to the latest annual review from the Center for Continuing Study of the California Economy.

The state is at the starting point of "a strong and long-lasting recovery", fed by record venture capital investment, and growth in trade and technology, tourism and entertainment, the report says. Even older industries such as agriculture and clothing are taking on new workers.

However, the public investment in schools, roads and other facilities necessary to support a thriving economy is lagging badly behind.

California ranks 42nd among US states in terms of elementary school spending per child, and 49th in terms of numbers of schoolroom computers per child. Class sizes are the biggest in the country, according to Mr Stephen Levy, CCSCE director and main author of the report.

California's economy



Source: CCSCE

Mr Levy concludes that taxation reform – notably removing the "cap" from property taxes and allowing them to grow in line with the economy – is necessary "if California is ever to develop a long-term budget strategy that can adequately fund public investment in support of economic growth."

Laws limiting property tax growth strongly favour retail developments while militating against housing and industrial developments, he says. Even so, the centre, which specialises in long-range forecasting for private businesses and public utilities, calculates the number of jobs in the state will expand almost 22 per cent to more than 17m in the next 10 years compared with 13 per cent growth in the US overall.

Income will soar 40 per cent compared with 27 per cent, the population will increase 17 per cent against 10 per cent, and the number of households will grow 20 per cent or double the national rate.

Recent improvements have included an increase of 40,000 in the numbers employed by the film industry since the start of 1994, 60,000 new positions in engineering and computer services, and a similar total added by the trucking and wholesale trades, thanks partly to an exports boom.

Amusement and hotel industries have taken on 35,000 new employees in the same period as domestic and international visitor numbers have recovered from recession and the deterrent impact of the 1994 earthquake.

As a result, an estimated 250,000 to 300,000 jobs will be created this year, with similar growth expected in each of the coming two years.

A 7.2 per cent rise in total personal incomes in the first half of this year, taken with a 1.8 per cent increase in consumer prices, has produced the first substantial boost to real spending power since 1990. Incomes are expected to rise between 5.5 per cent and 6.5 per cent in 1996 and 1997.

The volume of trade passing through Californian ports is expected to grow 20 per cent to around $290bn this year, despite the economic crisis in neighbouring Mexico.

Exports of products from Californian companies were 19 per cent up at the end of June, while shipments of technology products to foreign markets are forecast to expand 23 per cent for the full year.

For the future, the centre says high-tech industry will grow three times as fast as other manufacturing sectors in the coming decade, while entertainment will expand twice as fast as the US economy overall.

Colombia points to drug role

Colombia, faced with deteriorating ties with the US, reminded Washington yesterday that it was a key partner in the war against drugs, Reuter reports from Bogotá.

"In the fight against drug trafficking, the US needs Colombia and Colombia needs the US," Mr Rodrigo Pardo, foreign minister, said.

He spoke in an interview from Washington where he was to meet US lawmakers and senior officials from the State Department in what he described earlier this week as a bid to "normalise" Colombia's thorny relations with its leading trading partner.

Bilateral ties, already strained by charges that President Ernesto Samper's 1994 election campaign was partly funded by the Cali drug cartel, have soured further in recent weeks following a series of public swipes at the US by Mr Horacio Serpa, the interior minister.

These include Mr Serpa's suggestion that US drug agents may have had a hand in a recent assassination or kidnapping attempt against Mr Samper's lawyer, and a congressman's public airing of what he said were wiretapped telephone conversations of the top US Drug Enforcement Administration official in Bogotá.

Ford to contest damages

Ford Motor said it planned to appeal against a $62.4m jury award to two Indiana sisters who allege their injuries in a 1991 driving accident were caused by a design fault in a 1986-model Bronco II that makes it prone to roll over, Reuter reports from Detroit.

"We're outraged at this verdict and we think it's a perfect example of why this country needs tort reform," said Ford.

On Monday evening a jury in Indianapolis awarded Vicki Ammerman and Alana Cuskaden $29m each in punitive damages. They also won $4.4m compensatory damages.

Ford said it was the second time a jury had held the company liable for injuries allegedly caused by the Bronco II design. Earlier this year a Houston jury awarded a plaintiff $6.5m in compensatory and punitive damages in a decision Ford is also appealing against.

In all six previous Bronco II lawsuits tried in front of juries, no design defect was found, Ford said. Safety advocates allege the Bronco II has a short wheel base and high centre of gravity that makes it prone to roll over during emergency manoeuvres. Ford says the vehicles are safe when driven properly.

The National Highway Traffic Safety Administration closed an inquiry into the allegations without taking action.

ITC faces hefty cut in staffing

By Nancy Dunne in Washington

The US International Trade Commission, considered by many foreign companies as the last bulwark against US protectionism, has become one of the most prominent candidates for government "down-sizing".

Last Friday the commission issued notices to 128 employees, almost one-third of its staff, that they will lose their jobs unless the House and Senate budget negotiators restore funding cut from its budget.

The House appropriations bill gives the agency $42.5m for its operations, little changed from last year, but the Senate bill cuts expenditure to $34m. The staff cuts were worked out averaging the two bills.

US "fair trade" law has a two-track process. The US Commerce Department decides the extent to which a product has been sold at "less than fair market value" or subsidised by foreign governments. The ITC rules whether or not US industries have been injured by the imports.

Unless petitioners seeking compensatory duties on foreign products prove they have been injured by imports, their cases are thrown out.

Many trade lawyers – particularly those representing foreign companies – consider Commerce's procedures more susceptible to political influence than the ITC's. "Anyone who works for a European steel mill or owns stock in a European steel company knows the importance of the ITC," said Mr Mike Stein, former ITC general counsel. In 1993 the ITC threw out about half of the cases brought by the steel industry when US quotas expired.

Many trade lawyers say the pruned ITC may find it impossible to produce high-quality analyses which provide the base for opinions of the six commissioners. The Senate appropriations committee, unsympathetic to that argument, used the savings to provide continued legal aid funding for the poor.

A senior Democratic aide said some in Congress felt that the ITC was failing to abide by congressional wishes in enforcing US trade laws. Too many cases were being thrown out.

Aside from weighing in on dumping and countervailing duty cases, the ITC produces a wide range of industry studies.

According to Mr Stein, the ITC cuts could be "really disastrous" because there is less fat in the budget than at most agencies. Ten years ago the ITC had 425 staff members; it now has 419.

Wage, price and tax accord seen as helpful, but there is still much economic pain to come

Mexico's three-way pact wins some relief

By Daniel Dombey and Stephen Fidler

The wage, price and tax agreement reached between the Mexican government and trade union and business leaders at the weekend provided short-lived respite for Mexico's financial markets after last week's jitters.

Agreements between these groups were regular events from 1987 until negotiations broke down earlier this year in the aftermath of the devaluation panic last December. Important changes in economic policy – wage and price increases, shifts in exchange rate policy, government economic projections – were usually announced as part of such agreements, known as *pactos*.

While the latest accord, known as the Alliance for Economic Recovery, looks much the same, the appearance is deceptive.

The old *pacto* was integral to the heterodox approach to economic policy of the previous administration of President Carlos Salinas, which combined orthodox fiscal and monetary measures with agreed measures to limit price and wage rises.

Since the devaluation, the government of President Ernesto Zedillo has had to abandon the approach. This is in large part because the government lost the hinge of the previous accords: the pre-set maximum rate of depreciation of the peso. At the weekend, the government only reaffirmed that a floating peso would be maintained, and cited no targets.

"This is not a *pacto*," said Mr Isaac Katz, head of economics at Mexico's Technological Institute. "There are no serious commitments from the parties other than the government. It is instead a bundle of fiscal measures to reduce the costs of both labour and capital."

The accord – which is aimed at achieving a 20 per cent inflation rate and 3 per cent growth rate next year – provides all three sectors with some benefits.

Labour gets a 21 per cent increase in minimum wage – to which many other salaries traditionally are tied – in two steps, December and April, higher grants to the unemployed and further help for the temporary jobs programme.

Business wins tax incentives, including commitments to suspend asset taxes in 1996 for small and medium businesses, and to provide tax waivers on investment above 1995 levels and tax credits for companies that take on new workers.

The government's commitment to fiscal stability will be helped by staggered increases in prices for petroleum and electricity, both sold by state monopolies. The government committed itself to a 4.75 per cent real reduction in current spending next year, but also said increased economic activity should yield greater tax receipts. All this should provide room for increased social and investment spending.

Some economists worried about the reliance on growth to increase tax receipts. Others said the pact did not represent a shift to a more expansionary fiscal policy. "Such a shift," said Mr Peter West of West Merchant Bank in London, "would have shattered confidence in the foreign exchange or financial markets."

Mr Guillermo Ortiz, the finance minister, said the measures would mean a fiscal relaxation next year of 0.5 per cent of gross domestic product, not enough to contradict the government's commitment to a balanced budget.

He said the recovery would be led by exports, which should provide a 1.4 percentage point contribution to growth next year. The government expects an increase in merchandise exports of 12 per cent in volume terms and 18 per cent in dollar terms – which implies the government's assumptions include a strengthening of the peso.

A 4.7 per cent increase in private investment should yield 0.6 percentage points of growth and an expansion of private consumption should generate 1 point of growth. Public sector investment will remain unchanged in real terms.

Given the sharp falls in consumption and investment this year, and a competitive peso to help exports, a number of economists said the growth and inflation targets looked modest and achievable. They stressed, however, that there would be more economic pain to come, perhaps explaining why the relief of financial markets was transitory. "It will not be until well into 1996 that the upturn in economic activity will become apparent," said Mr West.

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NEWS: INTERNATIONAL

Commonwealth targets military regimes

By Michael Holman and Edward Mortimer

Commonwealth military governments were yesterday given notice that their membership of the 52-nation association could be at risk.

In one of the toughest statements on the need to put the Commonwealth's democratic principles into practice, Chief Emeka Anyaoku, the organisation's secretary-general, warned of the risk of "real internal conflicts" in Nigeria, Sierra Leone and Gambia if their military regimes did not rapidly give way to democratic governments.

Presenting his biennial report in London yesterday, Chief Anyaoku said a key issue at next week's Commonwealth leaders' summit in Auckland, New Zealand, would be "what the Commonwealth can and should do to promote greater adherence by its members" to fundamental principles of democracy and human rights proclaimed at the 1991 summit in Harare, Zimbabwe.

This, he said, would involve a two-pronged approach: help for countries making the transition to democracy, but also "for purposes of the credibility of the organisation, it is necessary to contemplate action which will address the situation where countries are in open violation of the fundamental principles".

This veiled threat of expulsion will encourage human rights activists who are seeking the suspension of Nigeria, in particular, from the Commonwealth.

Chief Anyaoku said he had sent a personal appeal to General Sani Abacha, Nigeria's military leader, to spare the life of Mr Ken Saro-Wiwa, a prominent government critic sentenced to death on Tuesday for alleged complicity in the death of four men who died at a political rally he was to have addressed in May last year.

Mr Saro-Wiwa, a campaigner for the Ogoni minority ethnic group, who say that their land and water in the southern Rivers state have been ruined by pollution from the oil industry, blames government troops for the killing.

"As a Nigerian," Chief Anyaoku, added, "I feel very distressed at the situation in which my country is."

Gen Abacha responded to international pressure last month by commuting the death sentence on leaders of an alleged coup plot, but put off a return to civilian rule until October 1998.

In his report, Chief Anyaoku says: "Nigeria, Sierra Leone and Gambia are still under military regimes and showing every sign of internal tension and serious denial of human rights."

While the circumstances of each country differed, "all share the prospect of worsening social and economic conditions as well as of real internal conflicts... if their peoples are not speedily enabled to have in place democratically elected governments".

No light burns where Nigeria's power springs

Paul Adams visits Ogoniland in Africa's biggest oil producing region where conditions are primitive

There is no mains electricity in Nembe, home to several thousand people on the edge of Nigeria's largest oilfield, only some collapsing power lines from a generator which no longer works. But at night it never gets completely dark. From the narrow wooden footbridge across the creek which divides Nembe, the whole town is faintly lit up and the sky glows orange from the gas flares burning at the nearby oil well heads.

All over the Niger delta the six big oil multinationals, who produce nearly all the 2m barrels a day of oil which earns 90 per cent of Nigeria's foreign currency and 80 per cent of government revenue, burn off gas they cannot use, while nearby communities lack the power, clean water, roads and other basic amenities that living in the biggest oil-producing region in Africa for three decades has failed to deliver.

It is a day's ride on a banana boat through a maze of creeks in the mangrove swamp to get from Nembe to the capital of Rivers state, Port Harcourt. A proposed trunk linking this and other towns has been abandoned and there are no plans to complete it. Yet Nembe's oilfield produces about 150,000 b/d, enough to meet half the fuel demands of Nigeria, Africa's most populous nation.

From this and other communities in the oil-producing region of south-eastern Nigeria, the federal capital Abuja and the commercial capital Lagos seem like another country, one where the oil revenue goes.

In the absence of government, the communities in the Delta have turned to the multinational oil companies for assistance. In Ogoniland, also in Rivers state, a minority rights group led by Mr Ken Saro-Wiwa challenged the rights of the federal government and its joint venture partner Royal Dutch/Shell, the Anglo-Dutch multinational, to the oil revenue, demanded $10bn for environmental damage and royalties and threatened to secede from Nigeria.

A backlash from the military government led to a series of attacks on Ogoni villages, and the imposition of a special security task force in the region. Local divisions among the Ogoni worsened and in May 1994 the youth wing of the Ogoni movement turned on moderate leaders.

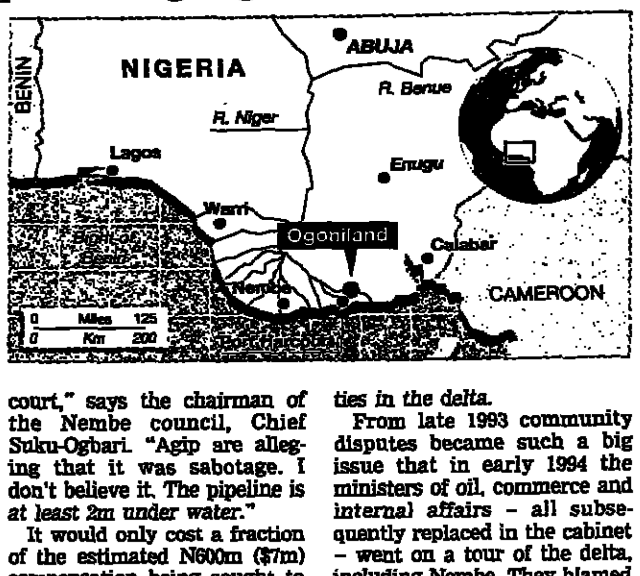
Four Ogoni politicians were murdered leading to a trial which on Tuesday saw Mr Saro-Wiwa sentenced to death for inciting the violence.

The 6m people in the delta are made up of more than 20 tribes. They are becoming increasingly bitter, especially the generation under the age of 40 who regard their elders as having sold out cheaply. Not only has development passed them by, they have suffered environmental damage and pollution from oil operations.

Some of the effects are all too obvious. A few miles up river from Nembe, an underwater pipeline operated by Agip, the Italian oil company, part of a different joint venture with the government, leaked oil a few months ago and caught fire when a woman from the village of Agbakabiria was fishing in the creek at night with a kerosene lamp. She escaped by diving out of her canoe and was rescued by villagers. The fire raged for several days, say villagers and left vegetations charred and no fish in the creek, their main source of livelihood.

The villagers say no one from Agip has visited them. They are negotiating through the council of chiefs in Nembe for compensation. Agip Nigeria was unavailable for comment this week.

"We are probably going to court," says the chairman of the Nembe council, Chief Suku-Ogbari. "Agip are alleging that it was sabotage. I don't believe it. The pipeline is at least 2m under water."



It would only cost a fraction of the estimated N600m ($7m) compensation being sought to give the villagers what they want: replacement for all the canoes and nets they lost, a clean water bore hole, a generator and repairs to the school block which the local teacher has abandoned.

"But in the compensation process the middle men gain and the communities affected get almost nothing," says Mr Uche Onyeaguche, a lawyer with the Civil Liberties Organisation who helps the communities in the delta.

From late 1993 community disputes became such a big issue that in early 1994 the ministers of oil, commerce and internal affairs - all subsequently replaced in the cabinet - went on a tour of the delta, including Nembe. They blamed the oil companies, moved on and have not returned. The government, through the Nigeria National Petroleum Corporation, owns 58 per cent of the joint ventures which the multinationals operate.

"The oil companies should do as much as possible to assist the communities," says Chief Suku-Ogbari, leader of the council of chiefs in Nembe. "We know that the real problem is the federal government but what we see is Shell.

"What physical development have we got? I'd say nil. In the past five years there has not been a single capital project by state or federal governments benefiting the community. And yet we are feeding the nation," he says.

It is Shell, because nearly all its production is on land, - unlike the next biggest producers, Mobil and Chevron, which are mainly offshore - that has borne the brunt of the criticism. Shell operates 86 flowstations and 6,200 pipelines and flowlines in 31,000 sq km of the Niger delta.

The company has committed itself to spending $20m a year on community development projects near its operations (including some in Ogoniland until it withdrew in 1993). These include building, staffing and equipping school blocks, clinics, crop processing plants and water treatment facilities and providing youth training schemes. It will spend $159m this year, rising to $315m in 1998, on projects related to the environment and safety.

Shell has also just commissioned a two-year environmental survey to examine all the community and environmental problems in the delta.

Millions queue for S Africa's first democratic local elections

Tokyo Sexwale, prime minister of Gauteng province, casts his ballot yesterday. The polls passed off smoothly Reuter

By Roger Matthews in Johannesburg

Millions of South Africans turned out yesterday to elect metropolitan, town and rural councils, many of them queueing for more than five hours in hot sunshine to cast their vote.

Although there were reports of scattered incidents, the polling appeared much better organised than the sometimes chaotic general election in April 1994. The introduction of voter registration lists, and the requirement in some areas for the public to cast up to three votes, one for the local ward, one for the council and another for metropolitan council, contributed to the delays.

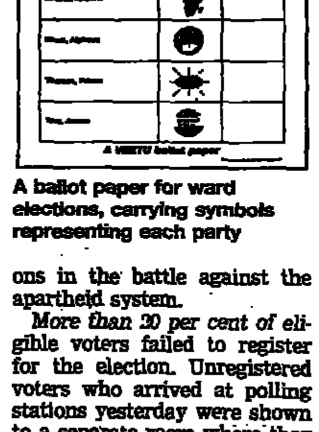
One polling officer in the east Rand said that he would remain open long after the 10pm official closing time if there were people still waiting to vote. The first results should be known early today but it will be late tomorrow before the process is complete.

The election of 688 local councils is seen by the African National Congress as the key to its reconstruction and development programme, which has set ambitious targets for bringing housing, water supply, electricity, and other services to the country's most deprived areas. Some of its targets already appear beyond reach, such as its pledge to build 1m new homes within five years. After 17 months it has managed to build just over 10,000.

Efforts have been made in large metropolitan areas to create wards that include both wealthy white suburbs and parts of nearby black townships. Unresolved disputes over these boundaries have forced the postponement of elections until next year in Cape Town, while in KwaZulu-Natal the mainly Zulu Inkatha Freedom party and the ANC are locked in similar arguments.

One of the most frequently heard complaints among white voters is that most of the revenue for the new councils will come from their payment of rates.

This is contrasted with the limited success enjoyed by the government in persuading black residents to end their practice of refusing to pay for services, one of the main weapons in the battle against the apartheid system.



A ballot paper for ward elections, carrying symbols representing each party

More than 20 per cent of eligible voters failed to register for the election. Unregistered voters who arrived at polling stations yesterday were shown to a separate room where they were given the opportunity to register for the general election in 1999.

Conversations with waiting voters in predominantly black areas indicated that support for the ANC remained strong, and that employment was the key issue for most people. Black unemployment is officially put at more than 40 per cent, and is much higher in some areas. "But even if I do not have a job in five years time, I would still vote for the ANC," said one young man.

Efforts by the National party, led by Mr FW de Klerk, the deputy president, to blame the ANC for the slow delivery of basic services, and the worsening crime rate, appeared to have had little effect.

President Nelson Mandela said after visiting a polling station in central Johannesburg that he was pleased the election appeared to be going smoothly. He also rejected appeals from right-wing parties that he should intervene in the case of 11 former military officers due to appear in court today to face murder charges.

The timing of the charges against the former officers, including General Magnus Malan who also served as defence minister, provoked a flurry of political accusations which temporarily dominated local election issues.

ILO gives warning on child labour boycotts

By Frances Williams in Geneva

Trade boycotts of goods made with child labour may harm rather than advance the welfare of the children they are meant to help, the International Labour Organisation warns in a report published today.

While world attention is focused mainly on children employed in predominantly export industries such as textiles, clothing, carpets and footwear, these industries employ "relatively few" child workers, it adds.

Of the millions of child workers - the organisation says the numbers are "much higher" than its own 1990 estimate of nearly 80m - most are unpaid family workers. Even in the export sectors, child labour is probably more common in plantations than in manufacturing, the organisation said.

Reviewing its three-year-old International Programme on the Elimination of Child Labour (IPEC), which helps individual countries tackle the problem, it said the "mere threat" of trade boycotts could encourage a useful domestic debate.

But experience suggested that "one immediate consequence, the precipitous dismissal of children who are already working, can also endanger rather than protect those children".

Further, measures which concentrate solely on child labour in industries producing for export might drive child labour underground into even more unregulated sectors, it went on.

In Africa, one child in three is engaged in work

The report, prepared for a two-week meeting of the UN agency's governing body beginning today, argues for more broadly based initiatives at national and grass-roots levels to tackle child labour.

These should at minimum include action to eliminate immediately the most intolerable forms of child labour such as slavery or work in dangerous conditions, and measures to get all children to attend school.

"More than anything, it is through national action within countries' own frontiers that the situation can improve," the report says.

Surveys carried out with ILO help in several developing countries show that on average, a quarter of all children aged between five and 14 are engaged in some form of economic activity, notably in farming, commerce and services such as domestic help. In Africa, one in three children works.

The problem had also worsened in parts of Africa and Latin America, the ILO said. This was due to rapid population growth, economic stagnation and inadequate schools.

● The ILO's governing body will discuss the organisation's budgetary crisis, brought on by threatened cuts in US funding. Recommendations by an advisory group include the loss of 50 jobs and a 5 per cent cut in its $579m (£364m) budget for the 1996-97 biennium.

Tory MPs may rebel in 'sleaze' row

By John Kampfner, Westminster Correspondent

Prime minister John Major threw his full weight yesterday behind his party's rejection of disclosure of MPs' outside earnings, raising the potential risks to Conservative fortunes ahead of Monday's knife-edge vote aimed at stamping out "sleaze".

As the report of the House of Commons committee on standards in public life was published, several backbenchers in the governing Conservative party expressed misgivings about the government's handling of the issue and suggested they might vote with the *opposition*.

Labour began a campaign to put pressure on Conservative MPs in marginal seats, collating and passing on to local media their public statements on reform of parliamentary practice.

Next week's debate is nominally a "free vote", but business managers are preparing for what will be one of the most highly charged political occasions of recent years.

Mr Tony Blair, the Labour leader, accused Mr John Major of "caving in". "This shameful episode exposes the Conservative party for what it is – not a political party running the country in the national interest but a vested interest," he said. Mr Tony Newton, leader of the House and chairman of the committee, stressed that the recommendations went further than those of the Nolan committee, which was established by Mr Major in response to cases of financial impropriety involving Conservative MPs.

The select committee proposes a ban on "advocacy". MPs will no longer be able to initiate parliamentary business on behalf of a client for financial gain. But they will be able to give "advice" and to make representations to ministers as long as those activities are lodged in the register of members' interests.

Some MPs acknowledged the definitions presented loopholes, to be exploited when they draw up new contracts with clients.

Mr Newton said the changes were the most significant for a generation. The ban on advocacy, he said, obviated the need for MPs to disclose their earnings.

A spokesman for Mr Major said: "He welcomes the report and will vote for a resolution which implements it. If there is an amendment contrary to the report, he will vote against it."

Tory MPs were divided into three camps. Some denounced the whole Nolan process as invidious; others said the select committee had struck the right balance.

However at least four, including Mr John Biffen, a former leader of the House, indicated they may support the Labour amendment calling for MPs to disclose their fees in bands of thousands of pounds.

Sir Teddy Taylor, one of the Euro-rebels of last year, predicted more defections. He told colleagues: "If you don't want to tell, don't stand for parliament."

With a majority of six, ministers are hoping enough Northern Irish MPs will fail to attend to offset a rebellion.

The Lords also began debating reforms to their procedures yesterday, including their own ban on advocacy and establishment of a register.

● The government's annual grant for homes provided by voluntary housing associations is set to be slashed by a third from £1.2bn ($1.9bn) to £800m over the next three years as part of government spending reductions designed to make way for long-term tax cuts.

The sharp reduction may be agreed in a cabinet meeting today, which may also approve a control total for public expenditure of about £260bn for 1996-97, about £3bn less than the amount earmarked a year ago.

Companies are helped to avoid EU tax rule

By Jim Kelly, Accountancy Correspondent

Customs and Excise is giving detailed advice to UK tour operators on how to avoid the higher value added tax bill they face because of a ruling by the European Court of Justice.

The move, which has been backed by the UK Treasury, contrasts with a string of government anti-avoidance measures designed to stop abuse of the tax system.

The move has been widely welcomed by the travel industry and tax specialists in illustrating an unusually flexible and unbureaucratic approach to tax management.

In what could be the first official scheme of its kind, Customs has devised at least three ways in which smaller tour operators can circumvent paying extra VAT.

Customs has suggested, among other things, that operators adopt agency arrangements for the supply of transport to customers.

As a result many operators may "de-package" their holiday products in order to circumvent the new tax and there are fears this may lead to less protection for consumers.

"It's tax avoidance rather than evasion – they have been very clear about that," said Mrs Sue Ockwell, chief executive of the Association of Independent Tour Operators.

Mrs Ockwell said Customs had been "extraordinarily helpful" in advising tour operators.

But a spokesman denied Customs was giving tax avoidance advice: "We are simply trying to prevent a distortion of competition within the industry. We have had to square the circle. We had to meet the verdict of the court and make sure parts of the trade were not disadvantaged."

At present tour operators within the European Union pay VAT in their own country on gross profit. This means they do not have to reclaim VAT from other EU countries. UK operators do not pay VAT on all the profit margin as some items, such as international flights, are zero-rated. In 1993 the European Court ruled, in a case involving the German tax system, that such practice was illegal.

As a result the entire profit margin will be liable for tax from January 1.

So-called "in-house" items, however, do not incur tax. Tour operators which own their own aircraft would therefore be at an advantage over smaller ones which have to "buy in" such services.

The UK is unusual within the EU in having operators which own aircraft. Up to 20,000 other operators who buy in flights faced paying extra VAT.

EU probes rail cash, Page 10

Manufacturers shed jobs in slow output growth

By Graham Bowley, Economics Staff

Britain's manufacturers shed more jobs than they created for the first time in more than two years last month, according to the latest survey of purchasing managers.

The purchasing managers' index, which tracks business activity in manufacturing, rose slightly in October but pointed to continued slow growth of factory output.

The survey also revealed a further weakening of upward pressure on prices as demand for goods continued to decline and companies found it easier to meet that demand. Prices of raw materials and other inputs rose last month at the slowest rate since November 1993.

Economists said the survey strengthened the view that inflation was under control and interest rates would be cut in coming months. Mr Kenneth Clarke, chancellor, and Mr Eddie George, governor of the Bank of England, met yesterday for their monthly discussion of interest rate policy.

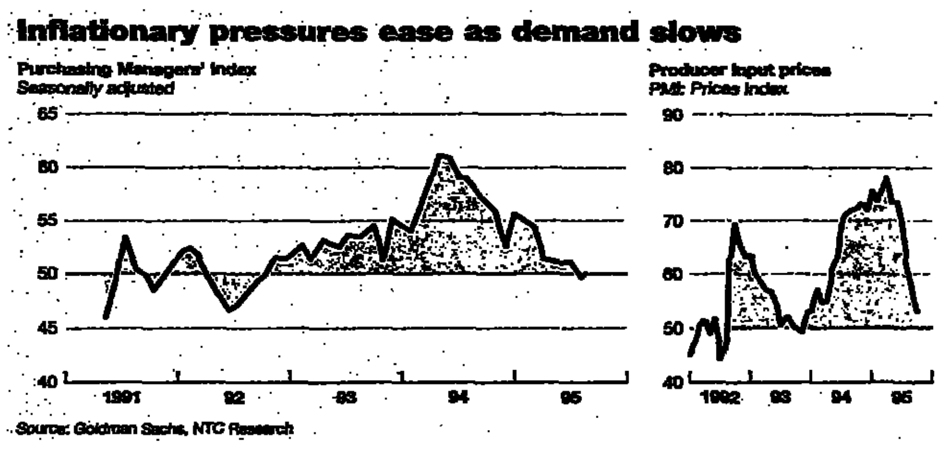
Few economists thought that Mr Clarke and Mr George would take a decision to lower base rates from the current 6.75 per cent at the meeting. But a growing number believe that rates could be cut after the November 28 Budget.

Separate figures from the Bank of England meanwhile showed a rebound in consumer borrowing in September, but the increase in borrowing remains in line with figures recorded earlier in the year, suggesting that demand is neither booming nor collapsing.

● Britain recorded its biggest underlying monthly trade deficit so far this year in August. The headline visible trade gap rose by £120m to £1.265bn, according to the Central Statistical Office. Imports rose by about 2 per cent in August and exports by 1 per cent.

The Labour party's investment view; Page 10

Inflationary pressures ease as demand slows



Source: Goldman Sachs, NTC Research

Record number of tourists in August

By Scheherazade Daneshkhu, Leisure Industries Correspondent

A record 2.87m visitors came to the UK in August, an 11 per cent increase on August last year. They spent £1.47bn ($2.3bn), the highest monthly total on record and 2 per cent up on last August.

The growth was fuelled in part by a 13 per cent increase in visitors from North America. Their numbers are expected by the end of the year to exceed the pre-Gulf war figure of 3.685m in 1990.

Mrs Virginia Bottomley, national heritage secretary, hailed the government's figures as evidence of the success in attracting visitors.

Despite the hot weather this summer, the figures show that the number of UK residents who went abroad in August was virtually unchanged at 5.14m from last August. Spending abroad by UK residents fell slightly to £2.04bn from £2.05bn in August 1994.

Just over 15.7m visited the UK in the first eight months of the year, 11 per cent up on the same period last year and spent £7.5bn, an increase of 12 per cent.

Mrs Bottomley said 90,000 jobs had been created in hotels and restaurants as a result and quoted forecasts of the number of overseas visitors to the UK increasing by 25 per cent over the next decade. But she warned forecasts would only turn into reality if efforts were pooled.

Meanwhile the London Docklands Development Corporation yesterday published a report it commissioned from hotel consultants Pannell Kerr Forster and Knight Frank & Rutley showing that demand for London accommodation could sustain 2,600 new hotel beds in Docklands between now and 2010.

The London Tourist Board expects the number of tourists to the capital to reach 21m by the end of the year from 17.4m in 1993 and said that if growth continued at the same rate, London would need 10,000 extra hotel rooms by 2000.

London Stock Exchange Over-confidence has enabled other bourses to forge ahead

Several bankers share Mueller strictures

By Norma Cohen, Investments Correspondent

Mr Rudolf Mueller, chairman of UBS UK, punctured the myth of the London Stock Exchange's international status, saying it had "missed the boat" on the opportunity to become the central market place for European equities.

Mr Mueller's remarks are probably the most pointed and harshest to come publicly from such an establishment figure. He served on the board of the exchange from 1990 and resigned only this summer – in disappointment, he says, over the exchange's failure to address the European question.

It should have tried to build a co-operative venture for all the European bourses in which London could have had a lead, he said. Instead, London remained overconfident in its existing system while the other bourses stole a march on it.

Criticism of that nature from such a firm as UBS is not to be shrugged off lightly. After all, it ranks first or second in market share in Europe-wide equity trading and sales and its UK equity market making arm has an eight to 10 per cent market share of the London business.

Moreover, UBS has put its money where its mouth is. It was the first foreign firm to seek "remote membership" of the Swedish stock exchange, a status which allows it the benefits of membership while it trades electronically from London. It has applied for similar status in Amsterdam which is expected to become effective on January 1 when a new European Union directive allowing remote membership amongst member states takes effect.

Still worse, it appears, Mr Mueller may be unique in going public with his criticism, but he is hardly alone in his view. Officials at leading investment banks say privately that Mr Mueller's views about the role of the London exchange accord with their own. At issue is the exchange's SEAQ International electronic bulletin board where marketmakers in European equities advertise the prices at which they will buy and sell the shares of specific companies.

Last week, NatWest Securities announced it would greatly reduce its usage of SEAQ I in favour of local bourses, saying its clients were no longer getting the best prices on the London exchange's system.

Accountancy Report rejects criticism of 'low-balling' as a means of winning clients

Top firms cleared in audit pricing row

By Jim Kelly,
Accountancy Correspondent

The inquiry into whether "low-balling" by accountancy firms results in poor audit work has cleared the "Big Six" as new evidence emerged of fierce price cutting in the UK audit market. An independent report delivered to the profession's main regulator yesterday concluded that there was no evidence that major companies "are unduly affected by competitive pricing…" by the big auditing firms.

The report looks likely to defuse for now the row over "low-balling" – the allegation that bigger firms use audit as a loss leader to win clients and later claw back revenue by increasing the price or getting other lucrative work.

Smaller firms such as Stoy Hayward said that the practice undermined the independence and effectiveness of the auditor. Stoy's lost the audit of the RAC Club to the Big Six firm Price Waterhouse and the subsequent row helped prompt the inquiry.

Small to medium sized firms also complain that the Big Six's grip on the audit market of the bigger companies is being extended by competitive pricing into new markets amongst smaller audit clients.

The report, presented to the Institute of Chartered Accountants in England and Wales, said that the best protection against bad auditing of listed companies was the threat of litigation. This outweighed "any short term commercial gain".

However, the report did find areas of "very real concern", according to Mrs Elizabeth Llewellyn-Smith, chairman of the working party and principal of St Hilda's College in Oxford University. There was a perception that work for smaller audit clients was of poor quality. "It is important for the image of the profession that the emphasis is shifted from price to quality," said the report.

The report also uncovered "cut price" promotions to smaller audit clients – including leaflet offers of price cuts of between 40 and 50 per cent. This could only "reduce the image and status of the profession," said the report.

Two separate sets of academic research show that auditors were under extreme pressure on price. JDH Consultants, which provides an annual survey of audit costs, said that of more than 750 leading companies 31 had changed auditor – in the process cutting their aggregate audit bill by 32 per cent.

Separate research into 399 UK listed companies in 1991 found that in the three years after a voluntary change of auditor fees fell by 22 per cent. Four to five years later the reduction was just 9 per cent.

Profession is caught in net cast by Names

By Jim Kelly,
Accountancy Correspondent

Every senior partner of a big accountancy firm eventually suffers trial by fire. Mr Ian Brindle at Price Waterhouse had been in the job four days when Bank of Credit and Commerce International, the firm's audit client, shut down. Mr Nick Land at Ernst & Young has had to wait a little longer.

A judge decided in London on Tuesday that Ernst & Whinney, auditors to the Lloyd's syndicate Merrett 418, had been negligent in allowing underwriters to close two years of accounts in the mid 1980s. The Names who lost their money now seek £300m ($474m) compensation. Ernst & Young, successors to Ernst & Whinney, must face part of the suit.

Mr Land, who was appointed this year, responded in a way which may become typical of the new generation which has moved to the top of the "Big Six" accountancy firms in recent years. He came out fighting in the media and went on television to argue his case.

While Mr Land's efforts are directed at minimising the damages to his firm's resources – and its insurance cover – he was in fact acting for the whole profession. If Ernst & Whinney can be judged to be negligent in auditing a Lloyd's syndicate, several other firms will be preparing to fight similar allegations.

Which other firms? The market for auditing Lloyd's syndicates is dominated by three names: Ernst & Young, Neville Russell and Littlejohn Frazer. But several other firms will be watching the issue closely because of a very small exposure to the risks. They are unlikely to face a serious legal action, but might want to contribute to a settlement that "cleared the decks". Certainly Arthur Andersen, Coopers & Lybrand and KPMG had a small interest in the market.

So what happens next? The current case against Ernst & Young and Merrett can be dealt with by the courts, presumably to be followed eventually by a string of other cases. Mr Land believes that any "reasonable" assessment of the auditors' negligence – based on the details of this week's judgment – would result in a payout of less than £20m on Merrett. All sides would recognise that this sum is too small to justify the legal costs necessary to extract it.

Rising costs are a strong incentive to all to settle out of court. So is time. Ernst & Young will appeal. Meanwhile there will be moves to get a judgment on the quantum – the degree of negligence to be attributed to the various parties. Then the rest of the cases will have to file through the courts.

The spectre of protracted court actions over auditor liability haunts the profession anyway. Adding Lloyd's to the nightmare at this stage would at least add power to the campaign waged by the Big Six to get the government to do something about the law of joint and several liability.

The burden of such liability is that the auditor may face paying the entire weight of the losses even if it is judged to have been negligent to a small extent compared with others. This means, in theory, that it can take just one proven case to devastate the resources of a leading firm.

In the case of Lloyd's, the accountants are not the only people with the resources to meet a claim. They may be seen to have "deep pockets", but there are other pockets around. Nevertheless, it is freely admitted by litigating Names that dragging auditors into the net is a coup. A pot of money, previously beyond their reach, is now within their grasp.

The uncertainties, cost and time which a series of court actions would take mean that it is much more likely the firms involved will eventually contribute to the overall settlement being brokered by Lloyd's. This is currently valued at £2.8bn for Names. As an opening bid, the sum of £100m from the auditors has been floated.

The sum extracted from auditors will therefore go up or down depending on the pressures which can be brought to the negotiationing tables.

There is no doubt that Merrett was an unusual case. The judge did find against Ernst & Whinney "regretfully". It was Merrett's underwriting of the business which eventually led to the losses. Ernst & Whinney were "seriously misled" over aspects of the business. The Names still have to prove that the they have not run out of time in bringing the action to court. But Ernst & Whinney were found negligent. Hence the jubilation of the Merrett Names.

So Ernst & Young will fight – hoping for victory – but also to contain the damage. It is the leading player in the syndicate auditor market by a clear margin. But it is not alone, and a judgment on which other firms may be drawn into a settlement is a crucial oné in trying to assess the impact on each.

The judgment in Merrett does not mean that all the other firms have been caught in the net. Each case is different and the principles underlying an action over Gooda Walker or Feltrim, for example, are quiet different from those in Merrett. Also, none of the firms has admitted negligence. But auditors are now likely to play a significant part in the overall Lloyd's settlement.

Lloyd's is looking for "expressions of interest" in its Lloyd's of London Press publishing subsidiary as part of the revised recovery plan unveiled on Tuesday, Ralph Atkins writes. The announcement of the possible sale of the operation – which publishes Lloyd's List, the shipping and insurance newspaper – came as the market revised its timetable for implementing the recovery plan.

LLOYD'S
LLOYD'S OF LONDON

Proposals for distributing a settlement package worth £2.8bn ($4.39bn) are expected to be published in January. These will be based on the advice of Names' representatives. The settlement fund is intended to end litigation crippling debt collection.

Names will be given a progress report in February which should include more detail about the impact on individuals. This should cover the cost of Equitas, the reinsurance company Lloyd's is setting up to take responsibility for liabilities outstanding on old insurance policies.

A vote on the recovery plan is expected by the end of March. The mechanism used to poll Names has not been decided. It is also unclear whether Lloyd's will proceed with the Equitas plan without agreement on the settlement offer. Also before the end of March, Lloyd's will hold a vote on proposals to impose a levy on those who have been underwriting since 1993.

UK NEWS DIGEST

EU court investigates rail cash

The European Court of Auditors, a financial watchdog which monitors European Union spending, is investigating payments of nearly £50m ($79m) for feasibility studies into the £3bn Channel tunnel rail link between the port of Folkestone and London. The court, which is based in Luxembourg, has been looking since June at EU funds provided for the rail link. Representatives of the court are expected to visit Britain in the next two months, said Mr Peter Skinner, Labour member of the European Parliament for Kent West, who has instigated the review.

Union Railways, the government-owned company which is promoting the project, said it was not aware of any special investigation into the funding. "We are used to having our funds audited and would be happy to co-operate," the company said. Mr Skinner said that a total of almost £50m appeared excessive for feasibility studies. "It is taxpayers' money which is being poured into Union Railways."

Charles Batchelor, Transport Correspondent

Switch in spending blamed for loss of clothing jobs

THE NATIONAL LOTTERY

The popularity of the National Lottery and reduced consumer spending were blamed for a decision to shed nearly 300 industrial jobs in one of Britain's unemployment blackspots. Baird Menswear Brands, a subsidiary of William Baird, is to shed 290 jobs at its factory at Hartlepool in north-east England when it closes its production line for suit jackets and reduces its trouser making capacity. BMB's chief executive, Mr Peter Lucas, partly blamed the lottery for the sales downturn: "Disposable income is coming out of the economy. There's been no new money creation since the lottery arrived, so all that money is coming from somewhere." *Chris Tighe, Newcastle-upon-Tyne*

Many banks 'fail to satisfy Brussels trading rules'

Many UK banks are in no position to satisfy new European Union rules on the capital they need for securities trading, says a report from Touche Ross, the accountancy firm. About 30 per cent of UK banks surveyed did not expect to be ready to comply with the EU's capital adequacy directive by the time it comes into force next year. The directive is designed to harmonise standards for banks' capital bases across the EU and to reflect their deepening involvement in the securities markets. UK banks are expected to need less capital for trading under the directive than under the current regime. But the directive will also oblige them for the first time to calculate their market risk, unless exempted, on a daily basis and to report this to regulators.

Nicholas Denton, Financial Staff

Labour party deplores low rate of investment

Mr Gordon Brown, the opposition Labour party's chief spokesman on finance, sought to shift attention away from the possibility of tax cuts in the government's Budget at the end of the month by announcing initiatives designed to promote faster economic growth by increasing investment. He said Conservative party tax cuts would be temporary unless Britain's relatively low economic growth rate could be increased. He called for urgent measures to promote investment, including a doubling of capital allowances, incentives for long-term personal savings, and a two-tier capital gains tax structure designed to promote long-term shareholding.

Launching Labour's annual pre-budget attack on the government's economic policy, Mr Brown accused ministers of presiding over 16 years of economic decline during which UK per capita income had slipped from 13th in the world to 18th. Dismissing government arguments that cuts in public spending hold the key to economic prosperity, he insisted that the UK's fundamental economic problem was investment per capita, which had fallen to 21st in the world. *Kevin Brown, Westminster*

Editorial comment, Page 15; Lex, Page 16

Government courier contract was bungled

Senior government officials admitted that the award of a multi-million pound courier contract was badly bungled causing delays to benefit claimants as packages were late or sent to the wrong address. In 1993 the Benefits Agency re-awarded its courier contract to deliver up to 50,000 parcels between the various departmental offices, to its existing courier, Lynx, at a cost of £3.15m ($5m). However, within two months it was clear that Lynx was falling short of punctuality and accuracy targets and officials then discovered that the contract contained no penalty clause or remedy for the problem.

Lynx then proposed altering its operating methods and the Agency agreed to pay an extra £200,000 to meet the cost of the changes. Even this was not enough and in July a new contract was negotiated, which included bonuses and penalty clauses but at a price 64 per cent higher than on the original winning tender. *Robert Shrimsley, Westminster*

Blocked refund: A man who admitted stealing £25 ($39.50) from chocolate machines on one of London's busiest Underground stations appeared in court yesterday. He obtained the money in one morning at Oxford Circus station by blocking the change chutes of the machines with hidden lengths of rolled cardboard. He waited until disgruntled passengers had given up hope of obtaining their change, removed the cardboard plugs and pocketed the coins that gushed from the machines.

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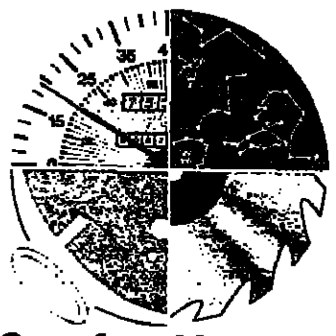
TECHNOLOGY

Worth Watching · Vanessa Houlder



Gene found in suntan link

A recently discovered gene could play a role in determining people's susceptibility to skin cancer, according to a report in this week's Nature Genetics.

The ability to tan is related to the relative proportions of eumelanin, a brownish-black pigment that helps the skin tan, and phaeomelanin, a reddish pigment that does not give the same protection.

The Medical Research Council has funded research at Newcastle University and the Human Genetics Unit in Edinburgh into what regulates the relative proportions of these two skin pigments. They found that people who do not tan well produce insufficient amounts of eumelanin because they are unresponsive to the melanocyte-stimulating hormone.

The unresponsiveness was associated with changes in the MSH receptor gene. More work is planned to examine the frequency of change in the receptor gene in different populations.

Medical Research Council: UK, tel (0)171 636 5422; fax (0)171 436 6179.

Cavities spotted on ultrasound

An ultrasonic method of diagnosing cavities in teeth, which is radiation-free and more accurate than existing methods, has been devised by the Fraunhofer Institute for Biomedical Engineering in St Ingbert.

The technique depends on the ability of ultrasonic waves to alter their diffusion velocity according to the hardness of the material. The waves' reflections on the outer surfaces of the tooth are captured by an ultrasonic transducer and converted into a visual display on the monitor.

Fraunhofer Institute for Biomedical Engineering: Germany, tel 6894980102; fax 6894980400.

Car assembly without welding

A pioneering assembly technique that uses adhesive bonding and mechanical fasteners in place of welding has allowed the weight of a recently launched aluminium car to be cut by 30 per cent.

The Lotus Elise has been made with thinner than average walls because there is no need for extra metal to compensate for the stress inflicted by the welding process. Hydro Aluminium Automotive Structures, which developed the system with Lotus Engineering, believes that the approach could be applicable to high-volume production.

Hydro Aluminium Automotive Structures: Denmark tel 74726666; fax 74726677.

Getting closer to bacteria secrets

An indication of how bacteria manage to evade the host immune system has emerged from an investigation of the atomic structure of pilin, a protein that makes up the finger-like structures used by bacteria to attach themselves to cells.

In a report published in today's Nature, the Scripps Research Institute in California showed that the pilin from the bacteria that cause gonorrhoea were held together at a relatively small number of key points, allowing variation elsewhere. The researchers believe that the increased understanding of the pilin should help in the design of drugs and vaccines.

Scripps Research Institute: US, tel 619 737 2355; fax 619 554 6880.

Monthly Internet updates on Encarta

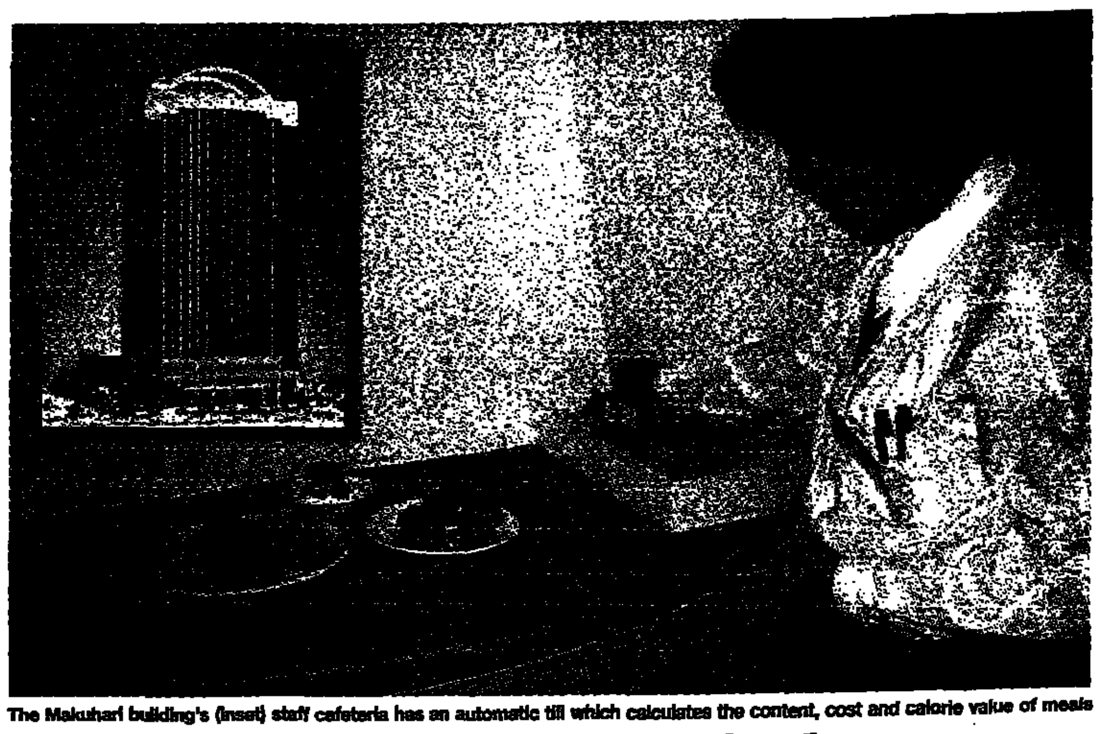
The 1996 edition of Microsoft's Encarta, the CD-Rom encyclopaedia which incorporates moving pictures, text, graphics and sound, has an "online" feature that will provide monthly updates from the Internet.

Users are able to download about 35 articles and several photographs each month on to their computer hard drives. These are automatically integrated with the existing CD content.

Microsoft: UK, tel (0)1734 270001; fax (0)1734 270002.

Smart building looks Sharp

The electronics giant's R&D centre in Tokyo is designed to take it into the 21st century, writes George Cole



The Makuhari building's (inset) staff cafeteria has an automatic till which calculates the content, cost and calorie value of meals

On the outskirts of Tokyo is Chiba City, home to Makuhari, a high-technology centre where 30,000 people work.

Its buildings include hotels and a conference hall and exhibition centre. A number of companies also have buildings in Makuhari including BMW, Canon, Fujitsu, Seiko, IBM, the national telephone company NTT and the electronics giant Sharp. The latter has sited one of its research and development centres there, in an intelligent building that uses smart technology systems for controlling lighting, communications, air conditioning, security and other facilities.

The Sharp Makuhari building is built on reclaimed land and was completed in July 1992 at a cost of Y38bn (£220m). Around 700 people work there with engineers accounting for 60 per cent of the personnel. The building is 101m high and has 21 floors, "to show that it is a building designed for the 21st century", says Akira Mitarai, Sharp's group general manager of multimedia systems.

At Makuhari, Sharp is researching future multimedia devices such as television set-top boxes that will deliver hundreds of digital channels into the home, three-dimensional television displays and virtual reality systems.

Makuhari is also using a variety of sophisticated technologies for many of its day-to-day activities. One of these is security. The car park has a computer-controlled management system which uses image processing technology to control access. The licence plate number of every Sharp employee's car is captured by a video camera, digitised and stored in a computer database. When a car is driven into the car park its licence plate is scanned and compared with the numbers held in the database.

Everyone working at Makuhari wears a smart badge which gives them access into and around the building. Magnetic sensors are located at main entrance points and when a person approaches within two metres, a recognition code is transmitted from the badge to the sensor. If it recognises the code, the door opens. Some companies, such as Olivetti, are using active badge systems which allow a computer-based system to track down an employee's whereabouts in a building but Mitarai says there are no plans to use a similar system in Makuhari.

Image processing technology is also used in the staff cafeteria which has an automatic till operator. The till dispenses with the need for cash and a human operator. An image of every food item sold in the cafeteria is stored in a computer database along with details of its price and calorific value. Employees place their tray on the till and the tray's contents are scanned and compared with images held in the database. The till then calculates the content, cost and calorie value of the meal and this information is displayed on a small screen. The employee then inserts a swipe card into a special reader and the cost of the meal is automatically debited to their account.

Each lift in the Makuhari building has an 8.6in LCD monitor which provides employees with a variety of information such as news, weather reports and company updates. New technology has even found its way into the building's toilets which have heated seats, the temperature of which can be controlled by a panel of buttons at the side of the toilet seat.

The Makuhari building's life support systems, such as the humidity and temperature, are controlled by a supercomputer which monitors the air and automatically makes adjustments for optimum working conditions. Earthquakes are a constant hazard in Japan and Makuhari's disaster prevention system uses a television surveillance system which sounds an alarm if any unnatural movement is detected.

Lighting is provided by solar panels on the top of the building and the air conditioning system uses recycled sewage water as its energy source. The waste water is processed inside the Makuhari building and at a local sewage plant. The water's temperature ranges from 7°C to 47°C and runs through underground pipes.

A number of rooms have special multimedia presentation systems which allow small groups of people to sit in a circle and operate a bank of keyboards. Presentations can also be captured on video and distributed. The building has a high-speed computer network, ISDN digital telephone lines and video conferencing rooms which allow international teleconferencing. Every work desk also has its own personal computer. However, there is currently no desktop video conferencing system which would enable employees to see and talk to each other on their personal computer monitor. "It is something we are considering," says Mitarai.

Many Japanese electronics companies like to talk about offering technology with a human face. Sharp is no exception. Employees in the Makuhari building appear to be happy working in this high-tech environment and during the design stage it was decided to put in recreational areas. Members of the public can visit a high-technology hall to see and use future technology, for example, high definition, flat-screen televisions. The hall is popular with school parties – around 130,000 people have visited it since it opened three years ago.

The potential to develop smart buildings that replace most if not all human operators with robots or computers exists but Sharp argues that a balance has to be struck. The smiling face of the till operator in the staff canteen may have been replaced by a smart computer but you will still find real people sitting behind the Makuhari building's reception desk.

Drugs search patent

Drugs company intellectual property lawyers are this week studying a patent granted to a small US company on Tuesday that may give it control over much of "combinatorial chemistry", an important new technique for automating drug research.

This is likely in principle to affect most of the world's top drugs companies, which are looking to the technique to increase their chances of finding a blockbuster drug.

The company, 3-Dimensional Pharmaceuticals, of Pennsylvania, claims that the patent is broad enough also to affect companies in the chemicals industry seeking new fragrances or pesticides.

The patent covers the mechanism by which the computerised testing of potential drugs is fed back to the system of creating new molecules.

In combinatorial chemistry, thousands or even millions of new molecules are generated, each slightly different from its predecessor. Each molecule is screened by chemical testing and the results can be fed back to the molecule generating stage. 3-Dimensional has a patent over the whole loop provided it uses computers.

Raymond Salemme, 3-Dimensional's chief executive, says there may be legal battles ahead with companies that have invested in their own automated combinatorial chemistry.

He plans to issue some licences to top pharmaceuticals companies, probably based on a fee for usage and a small royalty on any drugs produced.

There are precedents, the best known of which is the Cohen and Boyer genetic engineering patent which earns substantial fees for Stanford University and University of California at San Francisco.

If 3-Dimensional wins even a fraction of what the Cohen and Boyer patent earns, it is likely to become a much bigger company without having to go through the risky process of trying to invent its own drugs.

Daniel Green

ARTS

Cinema/Nigel Andrews

Dive to death or glory

CRIMSON TIDE
Tony Scott

FRENCH KISS
Lawrence Kasdan

JADE
William Friedkin

FARINELLI
Gerard Corbiau

There should be prizes in Hollywood for creative delirium beyond the call of duty. *Crimson Tide* could have been a routine submarine yarn, "bloop-bloop"-ing through the deep with bits of *The Caine Mutiny* and *The Bedford Incident* barnacled to its side. Instead it is a two-hour undersea firework display. The pyrotechnics – visual, aural, linguistic, histrionic – are provided by director Tony Scott, co-scenarist Quentin Tarantino, lead actors Gene Hackman and Denzel Washington.

H and W play the jingoistic captain and dissenting second-in-command of a nuclear sub thrown into confusion when an imperfectly received Pentagon message seems to order the bombing of Moscow. Hackman says "Nuke"; Washington says "Don't nuke"; the crew stands by as battle commences for command of vessel and nuclear button.

Most movies carrying a thousand feet of water on their shoulders show it. But Britain's Tony Scott shrugs blithely at the burden like a cinematic Atlas. This is the man who brought filtered visuals and baroque cutting to such testosterone operas as *Top Gun*, *Revenge* and the Tarantino-written *True Romance*. Here his first witty touch is to get the water over with *before* we enter the submarine.

Rainy lightplay animates the two stars' faces as they jockey for moral ascendance in a beautifully acted opening scene. More rain sheets down, plus a rhyming shower of welding sparks, as Hackman delivers his dockside morale-boosting speech to the crew. After that, the submarine interior is more like Valhalla during a d ught: hot, raking lights and sizzli colours, matching the high-wrou t emotions of the screenplay.

Much of his is pantomime, of course, but apted for the P.C. age. Denzel Wa ington, being young, black and ucated, must be the voice of lil al reason even when shouting at s captain to yield command. Gene ackman, smoking stogies, freely vering his Jack Russell terrier and nerally exercising a *droit de seig ur* boorishness, must be the old-sc ol martinet with the face of a fiss d prune.

No one – l *no one* – must question any of hi rders. "We're here to preserve dem racy, not to practise it!" he barks, the best tradition of radical/reacti ry Hollywood action ethics. But ev gung-ho sea sheriffs can go too fa oon the master and chief mutinee re taking turns to clap each oth in irons, while the director turns p the heraldic heat on his colour ters: red for Hackman; red mo ating with pacific green for Wa gton, paler green for the queasy ncoat sailor (Viggo Mortenson) wh olds the key, literally, to Arma ddon. Finally the *film heats to* a *aze* or rage before dying into neat d witty resolution.

We could ca t hokum, but it is hokum with g us. Scott's style is so designer-ap lyptic that it legitimises even th ouches of portentousness in the usic. "For those in peril on the s " – full choir – accompanies t submarine's climactic dive to eath-or-glory 2,000 feet. And bits o Wagner's *Siegfried* are woven, wit shameless invocational grandeur, to composer Hans Zimmer's main me.

★

In a humbler p of the Hollywood imagination, *Fr h Kiss* and *Jade* compete for as dancy. *Jade* calls itself an "eroti hriller", but you should check yo rights under the Trade Descript s Act. The cast contains one c aturally vampy heroine (Linda entino), two boring males (David aruso, Chazz Palminteri) and a es of *outré* murders (flayings, in lings) that could only have been d mt by Joe *Basic Instinct* Eszterha Director William Friedkin once ma *The French Connection*. Here, a the ornate sets stuffed with tele phic decadence, he behaves like a man lost in the duty-free area of Hell.

French Kiss is a "romantic comedy", and again check on your T.D.A. rights. It brings Meg Ryan to Paris, where she miraculously fails to run into Billy Crystal and Debra Winger making the same movie under another title.

That was *Forget Paris*. But if only we could. Once more, under Lawrence (*Body Heat*) Kasdan's direction, we camera-waltz around the Eiffel Tower, press the accordion button on the Moog Synthesiser and meet the long-elusive ideal partner.

In this case, he is French-accented Kevin Kline, wearing a moustache, a high-maintenance stubble and a face frozen in roguish wryness. At first he helps Ryan chase her errant husband (Timothy Hutton). Then they both give up and fall in love. Funny? Not really. Touching? Barely. The audience, like the movie, ends up glazed with well-mannered inanition.

The only person this week with an uncomplicated love life is an 18th century Italian *castrato*. The true-life title hero of *Farinelli* sacrificed vital body parts to triumph in song and opera, and apparently in bed as well.

It is no good looking sceptical. If the film says so, it must be right. Gerard Corbiau directs this costume drama with up-market voluptuousness, as if knowing that it would go straight to the Curzon Mayfair. We wind in and out of gorgeous palaces and gilded opera houses, listening to the fine-spun thread of our hero's falsetto. Handel (Jeroen Krabbe) is impressed and starts writing immortal chart-toppers. And women swoon around the young man day and night, especially night. "You were responsible for my first musical orgasm," coos one.

The movie was responsible for winning a Best Foreign Film Golden Globe; though it must have been more for de-luxe dippiness, one feels, than for artistic distinction.

The starting gun has fired on the London Film Festival, so let me update you on first-week attractions. US independent cinema is at racy strength this year: look out for Gregg Araki's *The Doom Generation* (road movie with side helpings of violence), Gary Fleder's *Things To Do In Denver When You're Dead* (wit, robbery and revenge) and the all-star gay-historical documentary *The Celluloid Closet* (comment or testimony from Vidal, Maupin, Fierstein, Hanks, MacLaine . . .).

Matthieu Kassovitz's *Hate* is a vivid, scarily funny debut about Paris street life: a French answer to Larry Clark's controversial film about teenage drugs and promiscuity Stateside, *Kids* (also in the festival). And if you are curious to savour urban violence Vietnam-style, Tran Ahn Hung's *Cyclo* – highly-wrought images, overwrought plot from the director of *The Scent Of Green Papaya* – comes to the LFF after winning this year's Venice Golden Lion.

British cinema's first-time unveilings include films from Philip *The Krays* Ridley and Iain *Backbeat* Softley. And from Ireland Thaddeus O'Sullivan's *Nothing Personal* is a fitfully fiery tale of the Troubles, with a brilliant performance by Ian Hart.

Blood and thunder is plentiful this year: beginning with tonight's opening film, the futuristic Hollywood thriller *Strange Days*. But you you can always book up for this Saturday's matinee. Thirty years old and not a wrinkle in sight, *The Sound Of Music* is back. Julie Andrews still twirls and trills on that hill: wear you factor-four radiance block.

Underwater pyrotechnics: Gene Hackman (left) and Denzel Washington (far left) in Tony Scott's 'Crimson Tide'.

Dance

Male bonding with DV8

The highly accomplished physical theatre troupe DV8, as its punning title suggests, is all about the pop sociology of gender and sex. *Enter Achilles*, like all DV's work, is made by Lloyd Newson. As with everything he has ever made, you applaud his and his performers' artistry; and yet, again as ever, he has conceived *Enter Achilles* less as a work of art than as sociological propaganda.

The great excitement of *Enter Achilles* is in the beautiful prowess of its performers. A great deal of the work is a lyrical exaggeration of male-bonding antics: antics that start with football, or beer-drinking, or changing-room larks. You get the point of most of these episodes early on, but there is still constant pleasure to be had in watching these men, all so audacious and open, luscious in their physicality.

One episode, a vertiginous fantasy for Superman and a cheeky chappy hanging on ropes high above the stage, is breathtaking in its assurance and innocence; but many of the "pedestrian" episodes are no less daring. Lloyd Newson loves to show performers moving off-balance without actually losing their balance; and he makes this, in context of a work about masculinity, highly expressive.

Newson often thinks about sex and gender in terms of symbols and dreams. Above the stage, we see four men, feet rooted to the floor (by invisible foot-holds), leaning this way and that, and removing their shirts. Then on stage, we see a man sitting up and waking, as if they had been his steamy but embarrassing dream. He then produces from beneath the duvet his sexual partner, an inflatable female doll, on whom he lavishes *tendresses* and who seems to have a life of "her" own.

Superman, beer, football, the inflatable female doll . . . Newson is as heavyhanded in his use of symbols as Martha Graham became in her later "Greek" psychosexual works. Several times we see views of men's torsos behind a barrier and the symbolic intention, to show us that male bonding is all about the link between the public cult of masculinity and the secret desire for the male form, could hardly be more obvious.

Neatly but horrifyingly, one episode turns one symbol into another, when we see the inflatable female doll treated as a football. Newson then takes this image of aggressive misogyny further: the men illustrate gang-rape on her – most disturbingly, with beer-bottles. Finally, one man slashes the doll with a knife and destroys it. The man to whom the doll belonged, is left alone, shattered, clinging to the deflated, ripped doll.

The more literal the meanings of DV8's works, the duller. The more lyrically Newson spins variations on his ideas, the more poetic his work becomes. And some episodes, freshly expressive moment by moment, are the reason why I want to see each new piece that DV8 presents.

Alastair Macaulay

Theatre/Ian huttleworth

Make Way for Lucia

For reasons which elude me, E.F. Benson is among the most discussed authors on one British arm of the Internet. Furthermore, the programme for this stage adaptation of his novel *Mapp and Lucia* includes plugs for two separate Benson societies. His tales of genteel malice between middle-class women of a certain age are diverting enough, to be sure, but such fervour is mystifying.

The sense of Edwardian throwback is heightened by the fact that, although John van Druten's play was produced on Broadway in 1948, this is its professional British premiere.

We are in a world in which a retired major can wear spats with impunity, the local vicar's idea of humour is affecting a Scottish accent, and imputations of effeminacy can be politely hurled at Lucia's toupéed friend Georgie Pillson by folk who, had the word "homophobia" been coined in 1912, would have thought that perhaps it was a province of the Ottoman empire.

Life crises are more trivial even than those of *N hbours*; pitched battles are fough er the site of a garden fête, and s al death is occasioned when the illingly named Hanging Comm e declines to exhibit one's wa colours in the local art show.

This productio main selling point is the stage nion of Angela Thorne and John ls, who were so much more lovab s Margaret and Denis Thatcher in *yone for Denis* than the real thi . (John Nettleton, who plays Ma Flint, is also a *Denis* veteran.) Th e brings to the role of Lucia the atcherian iron will, but tempered re with an impish sense of misc f and a mortal fear of being u asked as the *poseuse* she is; pa nately reciting Dante in the origi she sighs, *"Nel mezzo del camin' d ostra vita!* How beautiful! I wish knew what it meant!"

John Wells as rgie Pillson is simply John Wells a ginger wig: bumbling through e action in his affable drawl, he ivers precisely the performance have come to expect. It is the k of part Wells can play in his sle and indeed has somnambulated through for the past decade or so. As Miss Mapp, the village *grande dame* in danger of being supplanted by the newcomer Lucia, Marcia Warren at least has two notes, which she plays masterfully. This smiler with the knife never drops her welded-on simper, but when bested her voice takes on a comically strangulated tone as words of concession try to make it through her teeth.

Director Alan Strachan wisely refuses to camp things up, realising that the show's target audience is interested not in knowing self-parody but in phoney nostalgia.

In style no less than in content, this is the stage incarnation of John Major's longing for the mythical England with cricket on the green, warm beer and (the ingredient he strangely overlooked) a petty cold war conducted in well appointed drawing rooms. One hopes the prime minister has seen the play; only a stage version of *Mrs Dale's Diary* could better content him.

At the Richmond Theatre until November 4 (0181 940-0068)

Theatre/Sarah Hemming

Street life in Lagos

On the press night of a new play, most writers might be found fingering a drink nervously in the bar. Not so Wole Soyinka. At the premiere of his *The Beatification of Area Boy* at West Yorkshire Playhouse in Leeds, the Nigerian playwright was to be seen, briefly, sprinting through the foyer on his way from one news programme to the next. For, with awful irony, the first night coincided with the announcement from Nigeria of the death sentence passed on the writer Ken Saro-Wiwa.

It was a sombre background to Soyinka's play, but it served as chilling proof that the anger in the play is far from overstated: Soyinka himself has been in exile since last November. And while *The Beatification of Area Boy* is a genial, witty play, offering a juicy portrait of life on a Lagos street corner, anger and exasperation wind through it like underground waterways, glinting fiercely when they come to the surface.

On the face of it, however, this is Soyinka at his most accessible (the premiere is supported by Leeds University where the writer studied). The action never budges from one spot outside a large shopping plaza whose sliding doors offer a glimpse into an air-conditioned world of shiny surfaces that is in stark contrast with the grubby, chaotic reality of life outside.

This is the domain of the street traders, vagrants and area boys (protection racketeers) – the poor and underprivileged who live off their wits. Extortion, protection and plain daylight robbery are the norm and we soon realise that the plaza security guard, the personable Sanda (a mercurial performance from Tyrone Huggins), is running a complex cat's-cradle of organised crime from his seat on the steps. And while *Lagos is the star of the show*, the world on view is clearly a microcosm of post oil-boom Nigeria, lovingly brought to life in Jude Kelly's vivacious production.

As the day rolls forward, comic and tragic events struggle for supremacy even on this small street corner, and Soyinka nimbly picks off his targets. It is all done with good humour – the racketeers are painted with affectionate humour; the real villains, the military, are mercilessly satirised. But despite the comedy and outbreaks of music, a sense of foreboding hovers over the play.

For all its deceptive simplicity, the play cannily reveals the raw truth about living on the edge in what Soyinka has described as "that benighted nation". And amid the corruption, Soyinka searches for the soul of his country as his play quietly travels from a false dawn to new hope.

Structure is the problem with all slice-of-life plays and, since this is a generous portion (running at three hours), it sometimes lacks tension. But there are some lovely performances among the fine – and large – ensemble cast (Susan Aderin as the dignified Mama Put; Wale Ojo as the visionary vagrant). Witty, wise and uplifting, this is a beautiful play whose message steals up on you and lingers on. Another coup for this admirable theatre.

Continues to November 25 at West Yorkshire Playhouse, Leeds (0113 244 2111).

INTERNATIONAL ARTS GUIDE

■ BALTIMORE

CONCERTS
Baltimore Museum Tel: (410) 396 6310
● American Art Posters from Turn of the Century: an insight into the American way of life through advertising posters; to Dec 31

THEATRE
Center Stage Tel: (410) 685 3200
● Don Juan: by Moliere in a translation by Christopher Hampton and directed by Irene Lewis; 8pm; to Nov 5

■ BRUSSELS

CONCERTS
Beaux-Arts Tel: (02) 507 8200
● Belgian National Orchestra: Yuri Siminov conducts Rachmaninov, Medtner and Sibelius; 8pm; Nov 3
● Ensemble InterContemporain: Pierre Boulez conducts Berg, Webern and Schönberg; 8pm; Nov 9
Conservatoire Royal de Musique Tel: (02) 675 5414
● Peter Donohoe: pianist plays Prokofiev's Sonata's six, seven and eight; 8 Nov 6

■ LONDO

CONCERTS
Royal Festival Ha l: (0171) 928 8800
● *BBC Symphon chestra: with* soprano Judith Ho th. Richard Hickox conducts B n, Nyman and Elgar; 7.30pm; Nov
● Brahms Requie the Bach Choir with soprano Lesle arrett and baritone Simon Ke side. Sir David Willcocks conduct ahms and Haydn; 7.30pm; N
● London Symph Orchestra: with violinist Tasmi ttle. Herbert Blomstedt conduct trauss' "Don Juan", Dvořák's "V Concerto" *and Nielsen's* "Sym ny No.4"; 7.30pm; Nov 5
Royal Opera Hous el: (0171) 304 4000
● Manon: directed choreographed by K eth Macmillan to the mu of Massenet and conducted by B Wordsworth; 7.30pm ov 2, 7, 8
● Swan Lake: chor aphed by Marius Petipa and L vanov. Vikotor Fedotov/Ant y Twiner/ Barry Wordsworth c ucts Tchaikovsky; 7.30pm v 3, 4 (7pm), 6, 9

GALLERIES
Serpentine Tel: (017 2 0343
● Big City, Artists fr Africa: sculptures, drawings, ges and *objects by contempo* artists from several African countr to Nov 5

OPERA/BALLET
English National Ope Tel: (0171) 632 8300
● The Barber of Sevi by Rossini. Conducted by Jane G r and directed by Henry B. L from the original direction by Jonathan Miller. Soloists include Alan Opie, Jean Rigby/Fiona James, Charles Workman and Gordon Sandison; 7.30pm; Nov 2, 4, 9
● The Fairy Queen: by Purcell. A new production conducted by *Nicholas Kok and directed* by David Pountney. Soloists include Yvonne Kenny, Janis Kelly, Mary Hegarty and Yvonne Barclay; 7.30pm; Nov 3

THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● *The Glass Menagerie*: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5
National, Cottesloe Tel: (0171) 928 2252
● Cyrano: by Edmond Rostand, adapted by Ranjit Bolt and directed by Anuradha Kapur. Rostand's French romance relocates to 1930's India with a mixture of colour, live music and dance. Cast includes Naseeruddin Shah; 7.30pm; Nov 8, 9 (2.30pm)
● Skylight: by David Hare. Directed by Richard Eyre and starring Michael Gambon and Lia Williams; 7.30pm; Nov 2, 3, 4 (2.30pm), 6, 7 (2.30pm)
National, Lyttelton Tel: *(0171) 928* 2252
● La Grande Magia: by Edouardo de Filippo in a translation by Carlo Ardito. Richard Eyre directs Alan Howard and Bernard Cribbins in de Filippo's comedy; 7.30pm; Nov 2

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: (213) 365 3500
● *Los Angeles Philharmonic:* Mikhail Pletnev conducts Beethoven's "Symphony No.4" and Tchaikovsky's "Symphony No.6"; 8pm; Nov 9

OPERA/BALLET
Dorothy Chandler Pavilion Tel: (213) 365 3500
● *The Abduction from the Seraglio:* by Mozart. Conducted by Julius Rudel and directed by Michael Hampe. Soloists include Jorma Silvasti, Elzbieta Szmytka and Doug Jones; 7pm; Nov 4, 7

■ MUNICH

OPERA/BALLET
Bayerische Staatsoper Tel: (089) 22 13 16
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and produced by Jonathan Miller. The cast includes Edita Gruberova, Vesselina Kasarova, Anne Salvan and Roberto Scandiuzzi; 7pm; Nov 2, 6

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● Beaux Arts Trio: all-Beethoven programme; 8pm; Nov 2
● *Chicago Symphony Orchestra:* concert performance of R. Strauss' "Elektra" conducted by Daniel Barenboim. Soloists include Deborah Polaski, Alessandra Marc, Ute Priew and Falk Struckmann; 8pm; Nov 9
● Orchestra of St. Luke's: with soprano Barbara Hendricks. Bernhard Klee conducts Schubert and Mozart; 8pm; Nov 4

GALLERIES
Guggenheim Soho Tel: (212) 423 3500
● *Dieter Appelt: retrospective with* more than 60 paintings and sculptures; to Nov 5

OPERA/BALLET
New York City Opera Tel: (212) 307 4100
● La Bohéme: by Puccini. A new production conducted by Christopher Keene and directed by Graziella Sciutti; 8pm; Nov 2, 5 (1.30pm)
● Temple of the Golden Pavilion: by Mayuzumi. A new production directed by Jerome Sirlin and conducted by Christopher Keene. *Based on a novel by Yukio Mishima* in an English translation by Christopher Keene; 8pm; Nov 3, 8
● The Magic Flute: by Mozart. Conducted by Randall Craig Fleischer and produced by Lotfi Mansouri; 1.30pm; Nov 4
● Turandot: by Puccini. Conducted by Guido Ajmone-Marsan and produced by Jonathan Eaton; 8pm; Nov 7 (6.30pm)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● Festival Orchestra of Budapest: with pianist Zoltán Kocsis, *mezzo-soprano Ildikó Komlósi and* bass Kolos Kováts. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.1"; 8.30pm; Nov 6
● French National Orchestra: with violincellist Mstislav Rostropovitch. Georges Prêtre conducts Berlioz, Fauré, Saint-Saëns, Messaiaen, Honnegger and Schmitt; 8pm; Nov 4
● National Orchestra of France: Evgeny Svetlanov conducts Tchaikovsky; 8pm; Nov 9
● *Orchestra du Gewandhaus* of Leipzig: Kurt Masur conducts Strauss' "Metamorphoses" and Beethoven's "Symphony No.3"; 8.30pm; Nov 3

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Eugène Onégin: by Tchaikovsky. A new production produced by Willy Decker and conducted by Alexander Anissimov. Soloists include Gerlinde Lorenz, Solveig Kringelborn/Galina Gorchakova, Anthony Michaels-Moore; 7.30pm; Nov 4, 9
● *Les Variations d'Ulysee: a new* production choreographed by Jean-Claude Gallotta to the music of Jean-Pierre Drouet; 7.30pm; Nov 6

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● Bolshoi Symphony Orchestra: with pianist Boris Berezovski. Peter Feranech conducts Tchaikovsky and Sibelius; 3pm; Nov 5
● National Symphony Orchestra: with violinist Laurence Kayaleh. Leonard Slatkin conducts Mumford, Hartke, Bruch and Mahler; 8.30pm; Nov 2, 3, 4, 7 (7pm)
● *National Symphony Orchestra:* with mezzo-soprano Jard Van Nes. Leonard Slatkin conducts Adler, Purcell-Britten, Berlioz and Corigliano; 8.30pm; Nov 9

OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Luisa Miller: by Verdi. Conducted by Richard Buckley and directed by Christopher Mattaliano. Soloists include Veronica Villarroel, Lando Bartolini, Haijing Fu and Gabor *Andrasy; 8pm; Nov 4 (7pm), 9*

WORLD SERVICE

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Midnight
Financial Times Business Tonight

Nerds come of age in Silicon Valley

BOOK REVIEW

MICROSERFS
By Douglas Coupland
Flamingo, £9.99 (in US, Regan/ HarperCollins, $21), 371 pages

"Get a Life" is the constant refrain of the young computer programmers in Douglas Coupland's new novel. And the book is about their efforts to do just that – starting at Microsoft in Seattle and moving to a start-up company in Silicon Valley.

As a result, the plot is familiar, essentially a high-tech version of the traditional coming-of-age story. If the plot derives from the past, much of the book's intellectual baggage is aimed at the future: speculation of an essentially graduate-school nature about the relationship of consciousness with the cosmos, and how this is changing with the advent of non-human intelligence.

But the book's real appeal lies in its loving, endlessly detailed description of the present, which captures a mood and a moment with unrivalled deftness. The sureness of touch is evident right from the opening page in which Michael, the most talented of the group, gets "this totally wicked flame-mail from hell" from Bill Gates, Microsoft's chairman and founder, over the e-mail system.

"Actually, nobody on our floor has ever been flamed by Bill personally. The episode was tinged with glamour and we were somewhat jealous. I tried to tell Michael this, but he was crushed."

Michael vanishes behind the locked door of his office – Microsoft is famous for giving its programmers offices with doors, and once ran a recruitment ad which featured a picture of a typical door. His colleagues try to make him feel better by sliding flat food under his door. Pizza, the archetypal nerd food, has the additional virtue of two-dimensionality but the Microserfs settle for "Kraft singles, Premium Plus crackers, Pop-Tarts, grape leather, and Freezie-Pops".

The book is written in a dense shorthand of such allusions to American culture. Still in the first chapter: "If my life was a game of *Jeopardy!* my seven dream categories would be: Tandy products; trash TV of the late '70s and early '80s; the history of Apple; career anxieties; tabloids; plant life of the Pacific Northwest; Jell-O 1-2-3."

Apparently pointless details are layered on top of one another until they fuse into a vivid picture of west coast life in 1994 and early 1995. (Time is an important element of the book's precision: thermal fax paper is dismissed as essentially 1991.) In the book's concluding pages, as Dan finds peace at last, he does so lying in his girlfriend's arms "atop a threadbare promotional towel for *Road and Track* magazine". *And one entire subchapter consists of the following:* "Monday. Rained all day (32mm according to Bug). Read a volume of *Inside Mac*. Drove over to Boeing Surplus and bought some zinc and some laminated air-safety cards."

The book is stuffed with skilful one-liners that sum up aspects of white-collar life which rarely make it into literature. At marketing meetings, for example, "you end up being this perky, gung-ho version of yourself that you know is just revolting". E-mail is better than telephone answering machines "because with them, the person on the other line might actually pick up the phone and you might have to talk".

Dan's mother is worried that his father, recently fired, may find it hard to get another job: "He's not young and he's never been competitive by nature. I mean, he was at IBM." Dan's girlfriend Karla, another programmer, is furious because he forgot their one-month anniversary. "I don't know about *you*, Dan," she interrupted, "but *I* programmed *my* desk calendar to remind *me*." And best of all: "Screensavers are the macramé of the '90s."

More seriously, Microserfs explores the motivation that makes young people devote their lives to grinding out computer code. The price paid is a high one: "Give us your entire life or we won't allow you to work on cool projects."

The team spends hours trapped in front of their workstations, on enormously long sessions of coding and debugging. "*Around midnight*, December 25, Susan grunted, '*Uhhh*, Merry Christmas.' We all reciprocated, and then went back to work." But the reward is the chance to be One-Point-Oh, "the *first* to do the *first* version of something. We had to ask ourselves 'Are you *One-Point-Oh?*' – the answer is what separates the Microserfs from the Cyberlords."

Now, a word of warning. Rupert Murdoch loves this book. Fox is planning to make it into a television series. Coupland, who has already had one cult hit with the novel *Generation X*, can be found glowing in glorious colour *from the pages of HotWired*, one of the most fashionable World Wide Web sites.

There are all the signs of unsustainable hype. It is easy to get carried away in the glamourisation of the essentially mundane: Tracy Kidder's book, *The Soul of a New Machine*, did it for hardware engineers; Tom Wolfe did it for bond traders with "masters of the universe". Coupland has done the same for a collection of people who dress badly, eat junk and shop at Costco, on the grounds (sound familiar?) that "now nerds run the world".

Similarly grandiose claims are made for the superiority of the present over the past. Karla, the book's main visionary, says: "History is no longer useful as a tool in helping us to understand current changes ... they didn't have Federal Express, Sky-Tel paging, 1-800 numbers, or hip replacement surgery in 1709."

Still, it is hard to dislike any book which points out the way computer programmers tape Gary Larson's *Far Side* cartoons all over their offices: "Techies are an intricate part of the lifecycle of *The Far Side* cartoon, the way viruses can only propagate in the presence of host organisms. Susan says, 'We are only devices for the *replication of Far Side cartoons*.' Now that's *one* way of looking at humanity."

Peter Martin

ECONOMIC VIEWPOINT

Light ahead on interest rates

By Samuel Brittan

Could you bear to read another lecture by central bankers and finance ministry officials on the need to reduce budget deficits to get down world real interest rates? Or could you bear to hear yet again how rising proportions of dependents are going to put a strain on national budgets? Or how anti-inflation policies will be more credible if governments could reduce their debt ratios?

Such thoughts meant I was tempted to file away a study on *Saving, Investment and Real Interest Rates*, produced for the G10 industrial countries at the last meeting of the International Monetary Fund. (The G10 are really 11: the G7 summit countries plus the Netherlands, Belgium, Sweden and Switzerland. The group was set up to lend extra resources to the IMF.)

But on closer inspection, the study, which was chaired by Professor Mervyn King, chief economist at the Bank of England, does add a more optimistic gloss. The 19th-century British statesman, George Canning, *once called into existence* the new world to redress the balance of the old. In a similar way Prof King has called in the third world to redress the imbalance of the first. It is this new element which makes it worth persevering with the main outlines of the analysis.

The group was set up because of anxiety on the part of governments about high bond yields. These bond yields, of course, reflect an inflation premium. For bond holders need to be compensated against the possibility of inflation eroding the real value of their interest receipts. But even allowing as best they could for inflationary expectations, the group found that there was some tendency for real interest rates to rise. The increase was put at about 1 percentage point over the past 35 years to a level of about 4 per cent.

One way of approaching the problem, shown in the top chart, is to compare bond yields in G10 countries with inflation past, present and future over a few years. The periods of really low interest rates then appear to be around the two world wars, and the oil shock of the early 1970s.

An alternative approach is presented by the yields on *British indexed gilts – the only* well-established inflation-proofed bonds with a broad market. Canada and Sweden have more rudimentary or more recent indexed markets with higher real yields. The detailed UK movements may have been influenced by specific domestic developments. But securities markets are now sufficiently global to rule out a completely insular interpretation. The picture presented of real interest rates of a little below 4 per cent may thus be broadly representative of at least the stable industrial countries. This is slightly less than in the early 1990s, but a good deal more than in the halcyon days of 1993 when pessimism about recovery from recession drove real interest *rates temporarily downwards.*

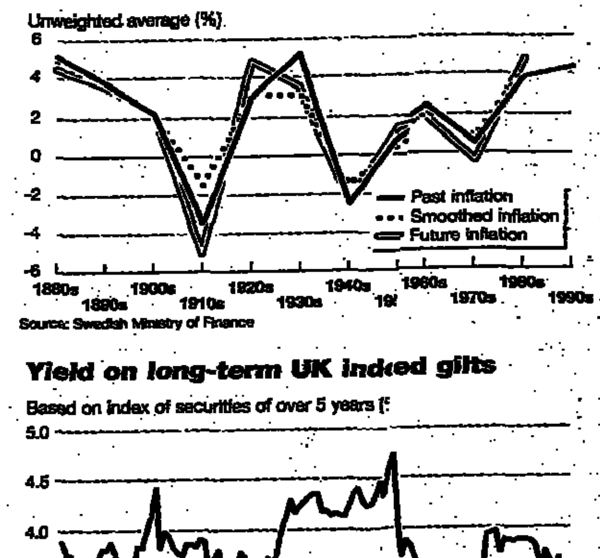
A long-term upward drift in real interest rates may reflect lower savings or greater investment demand. It is difficult to be sure after the event because, by definition, savings are equal to investment. In fact the G10 countries have experienced a fall in both savings and investment of about 5 percentage points of gross domestic product since the 1960s. The ratio now averages below 20 per cent of GDP.

There has been some fall in private savings, but the driving force has been a reduction in the saving ratio of the public sector, which is another way of describing a deterioration in the budget balance. The conclusion of the G10 study is that the decline in desired savings outweighed the reduction in desired investment, and that this led to an upward influence on real interest rates.

The report knocks on the head the idea that the capital demands of the third world or former communist countries have been a major source of pressure on global real interest rates. Even after the increase of the past few years, capital flows to both developing and transitional economies amount to less than 5 per cent of private savings in the industrial *countries, compared to* 16 per cent absorbed by public-sector deficits. Most of the investment in the Asian "tigers" has been financed by domestic savings, which have been on an upward course.

G10: real long-term interest rates

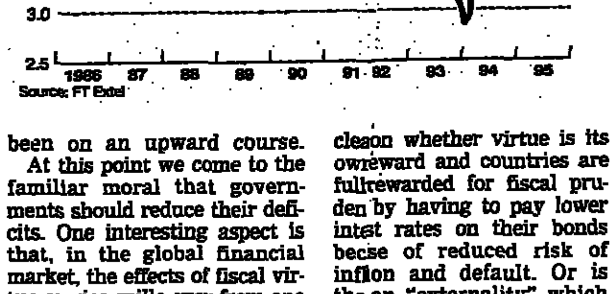
Unweighted average (%)



Source: Swedish Ministry of Finance

Yield on long-term UK indexed gilts

Based on index of securities of over 5 years (%)



Source: FT Extel

At this point we come to the familiar moral that governments should reduce their deficits. One interesting aspect is that, in the global financial market, the effects of fiscal virtue or vice spills over from one country to the world economy. Thus it has been difficult to establish a clear and strong link between budget deficits or *debt ratios and interest rates* at the national level. But there is some evidence linking *global* public debts to *global* real interest rates.

> **The G10 report has called on the third world to redress the balance of the first**

The report does not come cleaon whether virtue is its owreward and countries are fullrewarded for fiscal pruden by having to pay lower intst rates on their bonds becse of reduced risk of inflon and default. Or is the an "externality" which mas it worthwhile for the *ma world economies to tigen their fiscal belts toger* more than each might do parately? The report is noiear.

'authors would like fiscal po to be strict enough to rece the ratio of debt to GDP inrmal times and thus to oueigh any temporary setbas during recessions or otr shocks. This is recommled on a world scale, but is ry much in line with the Gan interpretation of the Mtricht criteria.

e first chink of light amid ahese warnings comes from pictions of the postwar baby boom generation. Members of this group should be entering their highest saving years in the next *10 to 20 years. But* when they begin to retire – in about 2005 in Japan and in about 2015 in Europe and North America – their impact will go into reverse. We will be back with the need to generate additional savings to pay their pensions.

Now we come to the main optimistic element. Demographic trends in the developing countries mean that these countries will boost their savings in this period by more than the decline in the presently industrialised world. The mere fact that countries with high savings ratios will *become a larger part of the* world economy will itself help offset the fall in industrial countries' savings.

But in its detailed arithmetic the G10 report, perhaps wisely, does not rely on the emerging countries providing the cavalry charge to boost world savings. Instead it concentrates on national efforts by its members. It estimates that to offset higher dependency ratios, G10 countries will have to improve their fiscal positions by between 1 and 9 percentage points of GDP in the first three decades of the next century – the smallest change is required by the UK.

It mentions four possible strategies. One is higher taxes, which it does not think will be acceptable. A second is cutting government spending. The US *would have to make cuts* equivalent to eliminating all defence spending. In Japan, they would have to be equivalent to eliminating spending not only on defence, but on a great deal more. A third strategy is to reduce benefit levels. This might be acceptable, but only if one were confident that private provision could really protect those who are worst hit.

But surely far and away the most attractive option is the fourth one of raising the retirement age by five years. This would do the trick completely in Japan and Germany, the UK and the US. This is surely the least painful method. The increase in dependency ratio is part of an improvement in health which would make it possible for a good many older people to do at least some work for several more years. It is mainly the primitive fallacy that more work for some means less work for others which prevents this suggestion being accepted *nem con.*

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Lett may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters writtn the main international languages.

Development bank no cure in Middle East

From Mr Tarek Ben Halim.

Sir, I read the article headlined "Wanted: Middle East development bank" (October 27) by Lawrence Summer and Joan Spero with interest. However, their case for such a *bank, though eloquent, makes* little economic sense at present.

The article stresses the need for such a bank to create an institutional framework within which countries in the region can co-operate economically and politically. It also calls for the creation of a forum to provide the venue for high-level policy discussion and co-ordination. Today what the countries in the Middle East and north Africa need is an intensive economic reform programme.

Countries in the region need to create an environment that *will generate economic growth* faster than population growth, one where the private sector can become the engine for future growth. They need to educate and train their population to meet these challenges. They need to spend less on the military. None of these needs can be addressed by a development bank.

If the authors are sincere in tir desire to see peace tough economic prosperity ithe region, a development lk is unnecessary and the i for a forum is premature. : promoters of this development bank would do better if *ty redirected the energy* bg put into the debate on a ional bank into persuading ir friends in the region to orm their economies.

:egional economic co-eration cannot be built on : weak foundations that st today. The countries in region must develop their nomies first. According to World Bank, the Middle East-north Africa region (excluding Israel), with a population of 200m, exports less (excluding oil) than Finland does with a population of 5m.

Regional economic co-operation can only happen when *there is something to co-*operate on. As Summers and Spero state: "Economic improvement in the region will come most of all from the pursuit of the right domestic economic policies in each country." I suggest that this be the focus for now.

Tarek Ben Halim,
31 South Terrace,
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Chernobyl now ranks hig on safety

From Sergie K. Parashin.

Sir, I wish to clarify a few points which were made in *David Lascelles's article on* Chernobyl nuclear power station ("Journey to the centre of the world's worst nuclear disaster", October 30).

I have never claimed that the Chernobyl plant is the safest reactor in the world. However, according to the International Atomic Energy Agency, reactor one at Chernobyl ranks among the world's top 20 reactors in terms of overall performance which, among other things, includes safety.

In addition, Chernobyl has fewer safety-related incidents than any other reactor in Ukraine.

The Chernobyl accident hap*pened almost 10 years ago. As* Lascelles acknowledges, since than a major transformation has taken place. Safety has been improved and the site has been cleaned up so that radiation dose rates at Chernobyl *are well within the limits* allowed by international regulations and expectations.

Chernobyl has been the subject of many sensational claims. It is now becoming apparent that many of the accusations made against the plant have no basis in fact.

Whatever decisions are made the Group of Seven indusl nations and the Ukraine ernment, I remain commit- to improving safety at ernobyl and believe it is re than capable of operating ely well into next century.

n behalf of the 4,000 staff l the thousands more whose s, welfare and safety depend Chernobyl, I wish to empha- that our plant welcomes hest, frank and open debate h the western media.

gie K. Parashin,
eral manager,
ernobyl Atomic Power
tion,
o Region,
620 Ukraine

TV body fails the quality test

From Dr Stephen Castell.

Sir, In justifying the Independent Television Commission's choice of winner for the licence for Channel 5, the new UK terrestrial station, on quality rather than "highest bidder" grounds, Sir George Russell, its chairman, said that exercising discretion on programme quality was "slap bang in the middle of our job" ("Transnational consortium wins TV licence", October 28).

British Standard 4778 defines quality as the "totality of features and characteristics of a product or service which bear on its ability to satisfy a given *need". Quality is thus* not some private, unstated view of perfection. It is "fitness for purpose". Best practice in quality management dictates that this purpose, and need, must be set down by those for whom the service is intended.

No attempt was made by the ITC to find out from those for whom Channel 5 is intended – its viewers – what their need or idea of purpose is.

For the future good of British digital terrestrial television, the government must set more transparent processes for achieving "quality". These must reflect the wishes of all customers, not simply those of a clique of broadcasting establishment suppliers.

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British Gas report outlined liabilities

From Mr Roy Gardner.

Sir, The letter from Mr John Ralfe (October 28) questions why British Gas did not refer to its long-term gas supply contracts in the 1994 annual report.

Reference to gas purchase obligations appears on page 53 of the report in note 24(f), commitments and contingencies. This states: "Most of the group's gas supplies are from long-term depletion contracts, with initial contract periods of up to 25 years. Over the next five supply years ... expected contract commitments entered into amount to approximately £15,400m ..." Difficulties with these contracts did not occur until 1995, and were reported in the half-year results. These were published in the Financial Times on September 8 and included the following details.

The significant surplus of gas available in the UK market, the consequent severe decline in *gas prices and the* competitive non-tariff market had an adverse effect on the profitability of British Gas during the first half of 1995, and are likely to have a greater impact in the second half.

The surplus of gas was due to a dramatic fall in market share in the large non-tariff market caused by regulatory constraints, warm weather and new supplies of gas to meet demands by our competitors.

This depressed prices in the spot market from 17p per therm when last year's results were announced to less than 1(pence per therm now.

When releasing its interim sults this September, the mpany stated it expected to ake a payment for gas not sed of about £500m in the sec*d half of the year* under its ke-or-pay obligations. A proision of between £50m and 100m is anticipated to cover he difference between conracted prices and realisable elling prices for unutilised ake-or-pay balances at Decemer 31 1995.

The board is keeping the situation under review to ensure that our gas portfolio is managed in the most effective way.

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New Labour's Budget plans

Labour's Budget proposals have the important *merit of starting* from the right place. While Conservatives feverishly discuss the tax giveaways they need to win the election, Mr Gordon Brown, a self-styled chancellor-in-waiting, yesterday spoke loftily of a long-term plan to boost national *investment* and saving.

Mr Brown's diagnosis of the economy's long-term failings is largely accurate. Judged by the standards of many industrial countries, the UK has been both ill-managed – in macroeconomic terms – and under-productive. It *must increase* the long-term growth rate of productivity if it is to achieve durably higher economic growth rates, and to do that it will have to consume less and invest more.

The trouble with the analysis lies not with its accuracy but with the fact that it has been true of the UK for a very long time. Many have tried and failed to increase the UK's growth rate in the past. Mr Brown's task yesterday was to show precisely how Labour would do better.

First, there were worthy, if vague, proposals for gradually improving the environment for both savings and investment. And second, there were the more detailed policies to give an immediate fillip to investment.

The biggest barriers to UK investment are macroeconomic instability and the high hurdle rates demanded by corporate investors. Mr Brown has repeatedly promised to remedy the first. Yesterday he proposed tax reliefs which would temporarily reduce the second barrier. International evidence suggests that investment in machinery and equipment has the greatest effect on long term growth.

The problem is that a temporary targeted increase in tax allowances would – by definition – not bring lasting gains. Rather, like the similar measure introduced three years ago by the government, it would merely encourage companies to bring forward by a year investments that they would have undertaken anyway.

In 1992, the change had little effect because companies were not planning to invest in the depth of the recession. This year, such a measure might have a more significant effect – were it not for the fact that the election timetable means *Labour's* Budget proposals for this year will not be implemented. Ironically enough, Mr Brown's plans for achieving a mini-investment boom in 1996 may thus even prolong the present slump, since companies may put off investing until after the election.

This problem could recur in other areas. Labour is rightly being pressed to offer more details of its policies. Yet the proposals it does offer could distort individual and corporate behaviour in the lead-up to the contest. Mr Brown correctly notes that investment requires a stable environment in which to plan. But this will be hard to achieve during a prolonged election period, when both main parties will be bidding for popular support.

Bosnia endgame

The talks which began yesterday in Dayton, Ohio between the leaders of Serbia, Croatia and Bosnia have been described by senior western politicians as the best chance for peace, and the last chance for peace. Mr Richard Holbrooke, the US official who convened the talks, has also stressed that success is far from certain. And the tough rhetoric heard from all sides recently – while obviously part of the pre-negotiation brinkmanship – is a reminder that failure remains a distinct possibility.

No one should underestimate the consequences of failure. Not only would the war continue, but the humanitarian disaster would be rendered unmanageable. Already this year more than 300,000 people have been driven from their homes in Croatia and Bosnia, in addition to the estimated 4m displaced since fighting began in 1991.

Among the reasons why western governments fear such an outcome is the euphoria that palpably exists among Bosnian and Croatian army commanders, even as relations between their political masters deteriorate. The battle-hardened forces of the anti-Serb coalition in northern Bosnia see no reason to give up the struggle, at a time when they have finally turned tables on the Serbs. They are strongly tempted to try and recapture further areas of central and northern Bosnia containing the homes of Moslem and Croat refugees.

Only one country has the muscle to restrain the Croats and Bosnian Moslems from renewed war, whether against the Serbs or against each other, and that is the United States. Washington's decisive intervention in their favour, and its apparent willingness to overlook the expulsion of Serbs from areas recently conquered, has given the US unequalled influence in both Croatia and Bosnia.

The European Union and Russia, as co-hosts in Dayton, have some role in driving home to the parties the consequences of fighting on, and the advantages of compromise. But the talks will stand or fall by the ability of the US hosts to restrain their Croat and Moslem protégés while continuing to overawe the Serbs. Rightly or wrongly, some Europeans remain nervous about US intentions. They fear the US could lose interest in the Balkan crisis as rapidly as it became engaged; or that it will be influenced more by domestic politics than by the real needs of the region.

The lukewarm reaction of the US Congress to the proposed deployment of US troops in a peace implementation force in Bosnia has weakened the US administration's bargaining strength in the eyes of all parties. In this situation, the most helpful thing Washington's allies can do is throw their weight unequivocally behind Mr Holbrooke's initiative, so as to convince the US Congress that implementing peace in Bosnia is an enterprise in which all western nations can and will play their part.

EU arithmetic

If the European Union genuinely wants to *strengthen* the global trade system, it has a curious way of showing its commitment. After prevaricating for months over the establishment of the World Trade Organisation's new procedures for settling trade disputes, the EU has now presented its WTO partners with a demand *which* puts at risk much of the progress made in negotiations to date.

At issue is the composition of the appellate body, a quasi-judicial tribunal which will hear appeals to WTO disputes rulings. The main obstacle to agreement for much of this year has been insistence by the EU and the US on the right each to fill two of the panel's seven seats.

Washington now says it is prepared to settle for one seat, if Brussels does the same. That would be acceptable *to* Sir Leon Brittan, Europe's trade commissioner, and to some EU governments. However, under strong pressure from France, the EU Council of Ministers has refused to back down unless two conditions *are met*. The council wants changes in the proposed list of panel candidates, laboriously agreed by other WTO members, and assurances that nothing will exclude two Europeans sitting on the panel next time round.

The EU's position is doubly indefensible. The appellate body's authority, and its ability to make decisions stick, will depend on it being seen to be scrupulously independent. The EU's stance risks compromising that objective, and weakening the effectiveness of the entire WTO disputes settlement system, by turning the selection of candidates into a sordid political power play.

The EU's demands for special treatment are also based on bogus claims to be the world's preponderant trading power. In the words of Mr Hervé de Charette, French foreign minister: "Having only one seat for the EU, when we represent 45 per cent of world trade against 17 per cent for the US, is neither fair nor normal."

In reality, the value of EU members' exports to the rest of the *world last year* was only 19 per cent of the global total. Almost as much again was accounted for by their exports to each other. However, to include these makes nonsense of the EU's claims to have a single internal market. On that basis, the US would be entitled to count all intra-state trade as part of its share of world exports.

Even including intra-EU trade, a 45 per cent estimate for the Union's share of world exports is inflated. In fact, it can be arrived at *only if exports* by Norway, Switzerland, the former Soviet Union and all of central Europe are added to those of the EU.

Such misrepresentations only diminish the respect and influence the EU can command in the WTO. The way to earn such respect is by dismantling more of its trade barriers. Where better to start than the Common Agricultural Policy, the single biggest impediment to free world trade?

US telecoms company MCI reckons it is nimble enough to profit from looming deregulation, says **Tony Jackson**

Plugged into partnerships

The US group MCI, its executives will tell you, has never thought of itself as an ordinary "phone company". Coming from America's second biggest long-distance telephone operator, this seems a contrary notion. But MCI is a contrary company.

Amid the chaotic changes overtaking the world of telecommunications, certain themes recur: the need for global partners, the challenge of multimedia and – in the US – the looming confrontation between local and long-distance operators. MCI has answers to all these. They are rarely like anyone else's.

In some cases, its singularity lies simply in being first. While other companies like AT&T or France Télécom wrestle to put alliances together, MCI's joint venture with British Telecommunications is up and running. While others tinker with multimedia, MCI has invested \$1bn (£630m) – with a similar amount to follow – in a venture with Mr Rupert Murdoch, the formidable media strategist.

Conversely, when its US rivals spent \$7bn earlier this year on buying wireless telephone frequencies from the US government, MCI refused to spend anything. As for the forthcoming battle between US local and long-distance phone companies, in which both sides are expected to spend billions on invading each other's turf, MCI says offhandedly that it may spend less on local telephony in the next year than it did in this.

The company's contrarian streak lies deep in its origins. As a tiny outfit about 25 years ago, it hit on the idea of installing microwave towers along the route from Chicago to Seattle to allow truckers to call head office on mobile phones. The plan was opposed by AT&T, then the official telephone monopolist. MCI has been fighting AT&T and other monopolies ever since.

Hence its claim not to be a phone company. Around the world, it argues, phone companies are monopolists or ex-monopolists. As such, they are arrogant to their customers and vain about their technology. For MCI, customers are everything: and technology is merely something bought off the shelf to provide a service.

MCI now claims to be the world's biggest telephone operator never to have enjoyed guaranteed rates or *customers. While its competitors* grew up on taxpayers' money or monopoly revenues, MCI's early ventures were financed by Mr Michael Milken, the junk bond king.

The resulting attitudes are still pervasive. Mr Jack Grubman, telecoms analyst at Salomon Bros, the securities firm, says: "It's tough to be an upstart when you have \$15bn of revenues. But historically, companies like AT&T or BT or the Baby Bells [local US phone companies] all had unlimited access to capital. MCI was living hand to mouth as recently as the late 1980s. It hasn't forgotten where it came from."

Thus the company claims to have the best marketing database in the US. "No brag, just fact," says Mr Tim Price, head of MCI's telecoms business. "For years, we've rated our customers by 2,000 variables – what they have for breakfast, what time they go to bed, what kind of music equipment they have. That's because when you go up against a monolith with 100 per cent market share, you have to pick your shots very carefully."

Again, MCI's decision not to bid for wireless frequencies in the recent US government auction was based partly on the expectation of a glut in the wireless market, which would allow it to buy capacity cheaply from its rivals.

There was also a more basic reason. Monopolists like the Baby Bells, says Mr Jerry Taylor, MCI president, have to protect their turf. "We don't have a whole wired city that we have to defend. We don't need to own wireless, because we don't have the worry of an alien technology coming in to take our business away."

Above all, MCI argues, its penurious origins mean it is better at striking alliances. A company like AT&T needs to be in charge, Mr Taylor says. Four years ago, it paid \$7.5bn for computer maker NCR (and is now spinning it off to shareholders). Last year it paid \$11.5bn to absorb McCaw, the biggest US mobile phone company. In both cases, AT&T started as a partner.

"Partnerships are very difficult for the big guy," Mr Taylor says. "But we never had deep pockets, and we always had to compete with the big guy, so we grew up with partnerships. Today there's no company on earth that's strong enough to do everything. The winners will be those who make partnerships work."

The partnership with Mr Murdoch, though still imprecise in detail, is plainly of central importance. The two companies, introduced to each other by Mr Milken, have a certain maverick quality in common. (It emerged last week that Mr Milken's role is being scrutinised by the US authorities, since he is barred as a convicted criminal from acting as a financial adviser.)

As seen by MCI executives, the venture will cover both cross-marketing and joint ventures. An MCI telephone service can be marketed using characters from *The Simpsons*, News Corp's cartoon show; or News Corp's Fox studios can produce videos tailored to MCI subscribers. The partners have already started an embryonic joint venture on the Internet; and there *is talk of MCI using News Corp's* TV satellites to beam down data to its business customers.

If this sounds vague, there is a financial safety net. MCI's initial \$1bn investment pays interest at 6.25 per cent. Five years out, MCI stands to end up owning about 14 per cent of News Corp's equity. According to Mr Doug Maine, MCI's chief financial officer, analysts' projections show News Corp making enough profit by then for MCI to earn its minimum required rate of return on investment of 15 per cent.

Concert, the joint venture with BT, is already selling products to 2,000 multinational companies around the world. A typical instance is intra-company dialling, whereby employees can call colleagues around the world on a seven-digit number without using country codes. Such products are of finite application: one MCI executive says companies with sales of less than \$50m probably could not afford them.

At this early stage, the business is loss-making and, as Mr Taylor concedes, it may never enjoy particularly high margins, since big multinationals can secure cheap rates. "But think of it like toilet paper," he says. "As a big company, you'll always get a better price. But the guy selling to you has lower costs as well."

With both the News Corp and BT ventures, MCI has the advantage of being ahead of the game. There remains one game it cannot control: the imminent legislation to deregulate US telecoms, which will determine the shape of the battle with the local phone companies.

Publicly, at any rate, MCI seems unworried by this. So do some outside observers, like Mr Grubman of Salomon. Let us assume, he says, that the legislation will prove even-handed, if only because of the pressure of lobbying from all sides. In that case, MCI will probably lose some market share in long distance to the Baby Bells, and win some local share in return.

Others are less sanguine. Mr Dan Reingold of Merrill Lynch, the securities house, says: "You have to distinguish between the company's perspective and the investor's. The long-distance companies say: 'We're good enough to get through this and survive': and of course, they are. But whether their survival will result in the cash flow and earnings which Wall Street expects is another question."

Mr Grubman raises a further possibility. For at least some of the Baby Bells, partnership with a long-distance company could be an attractive solution to the perils of deregulation. AT&T is too big to trust, while Sprint, the third biggest *long-distance company, is already* tied to a group of cable TV companies. What more natural than to turn to MCI, the established expert at alliances?

Some such thinking might account for MCI's relaxed air as it confronts the competitive future. Or perhaps it simply relies on the belief that "phone companies" are dumb, arrogant and easy to beat.

Electronic money is in race with Emu

PERSONAL VIEW

Economic and monetary union or electronic money? Recent suggestions that the start of Emu *might* be delayed beyond 1999 raise the intriguing possibility that a viable international electronic money will be available before the European single currency. Indeed, the former could make the latter redundant.

The new generation of electronic money, now being tested, offers many features that address the problems faced by cross-border travellers in Europe. Users would carry a plastic card that would let them download funds from their bank account using a mobile phone or cashpoint, or at a post office. The card could then be used to make purchases up to the value of the sum downloaded.

Because the cost of foreign exchange transactions under such a system would be so low, users would find it easy and cheap to hold funds in several currencies.

Credit cards already offer a form of multi-currency payment. But they are costly, with unfavourable exchange rates and high charges to retailers, and they are uneconomic for small transactions such as bus fares. *Nor can they be used for* person-to-person transfers, as with electronic money, or e-money.

Credit cards are also available only to people with a record of stable financial affairs, whereas electronic money is pre-paid – you cannot spend what you do not have – and available to all.

From the perspective of the single currency, there is a greater difference between credit cards and electronic money. With a credit card, the retailer receives local currency, the card holder pays the bill in his or her home currency, and the card provider makes the currency exchange. With electronic money, card holders and retailers would choose which currency to hold and to conduct the transaction in.

With e-money, it would become natural to hold an appreciating foreign currency for transactions at home and abroad. In short, e-money offers true "currency competition".

Unleashed on Europe's present babel of currencies, the effect could be dramatic. Smaller currencies could almost disappear – especially if there is any hint of systematic depreciation. Even larger currencies *would face a substantial decline in* usage if they were weak.

With private sector transactions voluntarily taking place in strong foreign currencies, weaker currencies would progressively be reduced to being used for a residual lump of "legal tender" transactions, such as tax payments. Long-term credibility as a strong currency would become even more important than at present. This is because the use of interest rates to prevent depreciation would be blunted by the new mobility of large amounts of money, in non-interest bearing accounts, kept for making electronic transactions.

With e-money, users would find it easy and cheap to hold funds in several currencies

Depending on your perspective, this would be either disaster or nirvana. Disaster, because governments and central banks in countries with weak currencies would *lose the seignorage that currency* issue brings, and the sovereignty it is supposed to provide (but may not). Disaster, because it would destroy two central aims of Emu: the sharing of power between monetary authorities, and the attempted imposition of currency soundness by *institutional fiat*. Nirvana, because it would provide people with a powerful protection against the random and hidden taxation imposed on them when governments inflate, and because it would create monetary soundness via market forces.

Will it happen? Governments may try to slow it by discouraging retailers from accepting electronic payments in foreign currencies. But it would be hard to prevent.

With e-money the costs both of currency exchange and of obtaining "cash" from the bank would be low, and access immediate. So users would not need to keep on their card the normal small balance to tide them over in the event of something unexpected.

Although the promoters of e-money emphasise that their medium would be a vehicle for the *single currency rather than a rival*, the race is on. If the present timetable for the single currency – of 1999 plus three and a half years' transition – is adhered to, it may materialise before e-money becomes established. However, if there is a significant delay, e-money may *make the whole Emu project* an obscure anachronism.

Yet if the single currency did win the race, any small or medium-sized economy that stayed outside it would need to beware. Its currency would need to be seen as strong, otherwise it would find almost all its transactions taking place in electronic single currency. It would *de facto* have joined Emu without having a seat on the board of the new European central bank.

Giles Keating

The author is head of global economics at CS First Boston in London

OBSERVER

Vanity fair for Vaclav Klaus

■ Vaclav Klaus, the Czech prime minister, is a man of many parts; politician, economist, privatisation guru, scientist, tennis ace, he's done them all. But one title, that of professor, has always eluded him.

Until now. Ivan Pilip, education minister, has just handed Klaus handed his scroll as professor of finance at the Prague School of Economics, which is the *alma mater* of some of the country's keenest minds.

His elevation has raised eyebrows among Czech academics. Does he have the right technical qualifications for such a prestigious position? Some academics suggest he's neither devoted sufficient time to teaching, nor published enough scholarly tomes. His application listed his numerous speeches among his publications.

And of course there is the political dimension. "I don't think it is appropriate for a prime minister to accept such a position from his own education minister," is the view of František Turnovec, director of the Centre for Economic Research and Graduate Education at Charles University. Turnovec *cited that as the reason why he* declined to be a referee for Klaus's application.

Such high-minded carping is unlikely to bother Klaus, who no doubt will carry on lecturing the world in the same old way.

Turkish delights

■ Campaigning in Turkey's general election has certainly started with a bang – of sorts. Leading lights in the country's feared security services are lining up as candidates in Tansu Çiller's True Path party.

Among them is Ünal Erkan, governor of the 11 mainly Kurdish provinces under emergency rule, where troops are frequently accused of human rights violations in their 11-year war against Kurdish guerrillas. Another is Necdet Menzir, a former Istanbul police chief who was forced to resign for sneering at politicians' concerns over torture and "disappearances" at police *stations. Joining them is* Doğan Güreş, a tough former chief of general staff.

Meanwhile, Çiller's cabinet is still graced by Ayvaz Gökdemir, a nationalist hardliner who sprang to international attention a couple of months ago by grossly impugning the honour of three senior women Euro-MPs during a visit to Turkey, for which he has yet to apologise.

Sporting chance

■ *Another of Hong Kong's* traditions crumpled yesterday with the appointment of an ethnic Chinese as chief executive of the Royal Hong Kong Jockey Club. Since 1884, when the club was founded, a retired British general has always held the post.

Not so from April 1 next year, when, in keeping with the passing of the expatriate in Hong Kong, Major General Guy Watkins, the present incumbent, steps down. His place will be taken by Lawrence Wong, 56, president and chief executive of Ford, the US car maker, in Taiwan will take the reins of what is the colony's biggest betting shop, charity, and, with a turnover of HK\$73bn, is also one of its largest commercial enterprises.

Flat broke

■ Looks like President Jacques Chirac has escaped any kerfuffle similar to that which recently *embarrassed Alain Juppé, the* French prime minister, about apartments.

Chirac is one of a number of top French movers and shakers who have long benefitted from favourable terms for housing owned by the city of Paris – of which Chirac was mayor until earlier this year.

A French administrative court has just ruled that there's nothing illegal in the arrangement by which Chirac pays a modest monthly FFr12,000 rent for his spacious *garden flat in central Paris, which* was bought in 1989 by a company partly owned by the city authorities.

According to the weekly magazine Canard Enchaîné, judge Roland Vandermeeren, head of the same court, himself lives in city-owned accommodation, with the even more modest monthly rent of FFr3,600. Naturally, as Vandermeeren told the paper, this had no bearing on his decision in Chirac's case.

Ruud manners

■ Ruud Lubbers, odds-on to get Nato's top job, certainly has tough-nut credibility. Other politicians moan about evildoers; Lubbers prefers the hands-on approach. As Dutch prime minister he twice chased and rugby-tackled thieves attempting to steal his wife's car radio, holding one crook by the scruff of the neck until the *police arrived*.

But more important, perhaps, he's never wavered on nuclear missiles. Observer's most lasting memory of his premiership is of a speech he gave to anti-nuclear protestors in The Hague. As he began, they all turned their backs to him. Lubbers, paying no attention, gave a perfectly measured address. Might be a useful skill, one day.

Endangered

■ *USA Today reports that* Fish and Wildlife Service scientists in Tacoma, Washington, plan to kill 40 black sea ducks to find out why their numbers are declining.

It must make sense to *someone*.

The Financial Times

100 years ago

Revolt by shareholders
Striking evidence has been afforded during the past year or so of a tendency on the part of shareholders to take an active interest in the affairs of the companies in which they are interested. It has always been a regrettable fact that, as a rule, the great body of shareholders take very little intelligent interest in the concerns with which they are connected, but leave the salutary criticism of the policy of the Directors and of the methods pursued by them to the few of their fellow shareholders who are energetic enough to formulate ideas of their own as regards their own property. Such a state of *matters, we have no hesitation* in saying, conduces to a good deal of the corruption which exists among joint-stock enterprises.

50 years ago

Nationalisation programme
Statements were made yesterday in both Houses of Parliament on the future of civil aviation. The Government proposes setting up three public corporations, wholly financed out of Government funds, to operate all regular scheduled services within their assigned fields. Lord Winster, Minister for Civil Aviation, said public ownership would be the overruling principle in air transport.

FINANCIAL TIMES
Thursday November 2 1995

Complex scams reported among 32m Americans in schemes

US frequent flyer fraud growing

By Michael Skapinker, Aerospace Correspondent

Frequent flyer fraud is on the increase in the US, as are acrimonious divorce disputes in which spouses squabble over the ownership of air miles, according to Mr Randy Petersen, a leading expert on airline loyalty programmes.

Mr Petersen, who publishes a magazine for frequent travellers, says he is having to spend a substantial amount of time in court as an expert witness in fraud trials and civil disputes.

Fraud is growing as the number of people participating in frequent flyer schemes increases. Mr Petersen says there are 32m Americans participating in programmes and 37m worldwide.

Frequent flyer fraud often involves travellers checking in for flights but failing to board the aircraft. The travellers claim the points for the flight they failed to take and then demand a refund for their unused tickets.

He says this type of fraud is far more difficult to perpetrate in Europe where security officials pay particular attention to travellers who check in and then fail to board their flights.

A second type of fraud identified by Mr Petersen involves travellers hanging around airports looking for discarded used airline tickets. They then erase the name on the ticket, replace it with their own and claim frequent flyer points for the flight.

A frequent flyer was recently sentenced to 18 months in prison in Texas for a more complicated fraud in which he purchased both full fare and discount tickets for the same flight.

He checked in using the full fare ticket, to which airline officials stapled his boarding pass. They also credited him with the higher number of frequent flyer points awarded to full fare passengers.

He then removed the boarding pass, re-stapled it to the discount ticket and presented this before boarding. After completing his flight, he claimed a refund for his unused full fare ticket. When arrested, he had 200 used discount tickets in his possession.

Mr Petersen says a very common form of fraud, engaged in by many otherwise exemplary citizens, involves people who register for frequent flyer programmes but do not travel often. They then pay others $50 to travel under their names and accumulate points on their behalf.

Mr Petersen says frequent flyer points are a growing feature of divorce actions, with the non-travelling spouses claiming half the points accumulated by the other.

The death of a frequent flyer is another cause of legal action, with family members arguing over who should gain possession of the deceased's points. Mr Petersen advises readers of his magazine to say in their wills who they want to inherit their points.

Çiller warns over customs union delay

Continued from Page 1

Choices [would be] governed by restrictions dictated by fundamentalist laws. This is factual and realistic. I am not exaggerating."

She also promised that if returned she would pursue economic reform with greater vigour. Last year Turkey suffered record inflation of 126 per cent and the economy shrank by 6 per cent following a severe balance of payments crisis.

She promised to accelerate the stalled privatisation process, reform the bankrupt social security system and lower inflation to less than 5 per cent a year within three years.

However, the European parliament's ratification debate will be dominated by political and human rights issues. Mrs Çiller's conservative True Path party is negotiating an election alliance with the far-right National Action party and has adopted as candidates officials from the security forces implicated in human rights violations

London Stock Exchange 'missed boat' over Europe

By Norma Cohen in London

The London Stock Exchange has missed the opportunity to turn itself into Europe's central share dealing system and will never be more than another local exchange, a Swiss banker who resigned in July as one of its directors said yesterday.

Mr Rudolf Mueller, chairman of UBS UK, a division of Union Bank of Switzerland, said he had resigned a year before the end of his term because he was disappointed at the exchange's failure to transform itself into a European exchange.

"What is sad is that London has missed the boat," Mr Mueller said in an interview. "I have found it increasingly difficult to understand what the exchange is aiming at."

Mr Mueller's remarks are a blow to the prestige of the London exchange, which has promoted itself as the European centre for international share dealing. It has been trying to persuade leading European companies to seek UK listings to take advantage of the large pool of capital in London.

Mr Mueller said the diminution of the exchange's role did not affect London's future as a financial centre: "London will remain the centre for international investment, but for that we do not need the exchange.

Where the exchange went wrong, Mr Mueller said, was in relying too heavily on the efficiency of its Seaq International electronic bulletin board for cross-border share trading.

UBS expects good results ——Page 17

New European Union rules allowing "remote membership" of European bourses by members sited in other countries mean that many investment banks can choose London as their European base while carrying out business across the continent.

In recent years, European bourses have fought back, modernising their technology and trading rules and winning back business from London. Last week, National Westminster Bank announced it would reduce its use of SEAQ I in favour of local bourses, a move UBS and other leading investment banks say they have already made.

Mr Mueller said that the declining use of SEAQ I was a disincentive to European companies to seek a UK listing.

"It would have been possible to set up a common European exchange before the bourses began to modernise," he said.

But to have done so, the exchange would have had to make approaches and been prepared to surrender some of its own control. "I was convinced the [London] stock exchange had a unique opportunity to remain the stock exchange of Europe," he said. Now it was too late.

Mr Mueller said that one indication of the exchange's insularity is that, with the exception of himself, it has never invited a non-British European to sit on its board.

Union offers limit on pay

Continued from Page 1

IG Metall officials believe the union's more flexible attitude towards wage negotiations would *not only lead to more jobs but* also encourage companies to invest at home rather than abroad. In the first half of this year, investment by German companies outside the country doubled to DM28bn ($20bn) compared with the same period last year.

In yesterday's speech, Mr Zwickel broke one of the union's long-standing taboos with regard to the long-term unemployed. IG Metall dropped its opposition to the re-employment, at a reduced wage, of those out of work for long periods.

Playboy bets on bunny revival

By Raymond Snoddy in London

A species long thought to be extinct may be about to make a comeback. One of the most potent sexist symbols of the *1960s and 1970s – the Playboy* Bunny – could be about to reappear in the politically correct 1990s.

Ms Christie Hefner, chairman and chief executive of Playboy Enterprises and daughter of its founder, said last night as she launched the Playboy Channel on UK satellite television that she was thinking of making a return to the world of casinos.

And casinos mean Bunnies. Not the old fluffy-tailed, stiletto-heeled Bunnies of old, but Bunnies all the same.

"We would probably do an updated approach to the costuming," said Ms Hefner who said attractive women would simply be something that people would expect of a Playboy casino.

Casinos were something that *the Playboy organisation got out* of, or was forced out of, in the early 1980s. In 1982, Mr Hugh Hefner, founder of the Playboy empire, was found unfit to operate a gambling establishment in New Jersey. The previous year, Playboy was obliged to sell its UK casino interests after contravening gaming laws.

But Ms Hefner said yesterday that she was willing to look at opportunities to go back to the casino business. "It's the fastest-growing area in the whole entertainment world. Playboy is the owner of the only entertainment brand that has that kind of history and cachet in casinos."

Given the right circumstances, presumably including attention to regulatory details, she believes casinos could be a high-*margin, long-term business.*

"We will look for upmarket opportunities overseas. We see it as a counterpoint to Disney theme parks," she said.

The launch of the Playboy Channel went better than Playboy could have imagined.

There was plenty of free publicity after criticism from Mrs Mary Whitehouse, veteran British television taste and decency campaigner, and the Methodist Church's decision to sell its 220,000 shares in BSkyB as a protest against the launch of the mildly erotic channel.

THE LEX COLUMN

The sky is the limit

Like sumo wrestlers stomping around the ring, the world's airlines are shuffling for position in a rapidly consolidating industry. USAir is in talks to sell out to either United Airlines or American Airlines, potentially leaving British Airways without a transatlantic link. Now cracks are appearing in a second alliance: Northwest Airlines, one of the top five American carriers, is planning to institute a "poison pill" against takeovers, much to the disgust of its Dutch partner KLM.

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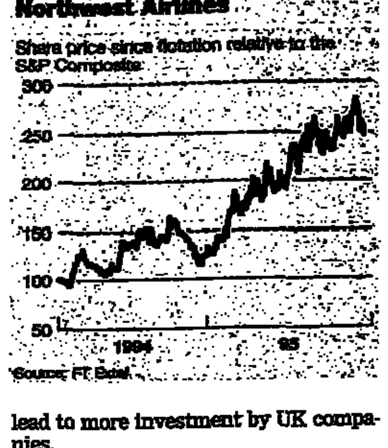


To date, this has been one of the more profitable and successful airline agreements, embracing common branding and marketing. But Northwest's management is clearly becoming uncomfortable with its Dutch shareholder, which holds 21 per cent of the voting stock. KLM has always denied it wants to gain control of Northwest, but with £1.4bn of cash on its balance sheet, it has a strong incentive to buy more. Northwest's proposals, limiting any single investor to between 15 and 20 per cent of its equity, is designed to prevent this, although it is hard to see how KLM could be made to sell any shares it already owns.

Even at the risk of angering KLM – which is threatening to sue over these proposals – the "poison pill" gives Northwest greater flexibility at a time when the industry is in flux. Since its 1994 flotation, the company's operating results have improved markedly, making it a more attractive partner. If USAir is sold to United Airlines, which is publicly committed to sticking with Lufthansa in Europe, that could even push Northwest and KLM into the arms of British Airways.

UK taxation

The UK Labour party has concluded that the former Tory chancellor, Mr Norman Lamont, was right. Mr Lamont spent £900m increasing capital allowances for a year in 1992-93; now Labour has revived the idea. It is a bad one. With UK investment running at over £100bn a year, a new tax break would either make negligible impact or it would be prohibitively expensive. Either way, much of the benefit would be wasted, going to companies that would have invested anyway.

Nor would Labour's vague proposals to encourage saving achieve much. If anything, new tax breaks in this area would be even more expensive. Besides, in a world of international capital markets, there is no reason why more UK savings will necessarily lead to more investment by UK companies.

If the UK has a long-term investment problem it is not for want of tax breaks. The figures suggest the reverse: in the years after 1984, when 100 per cent capital allowances were abolished, business investment sharply rose. If anything it rose too far: boom was followed by bust. But 14 per cent of GDP, where the figure has settled, is still comfortably above the levels of the 1960s and 1970s.

If governments are serious about encouraging business investment they should avoid tax gimmicks and concentrate on economic stability. Companies will continue to judge investments against high hurdle rates until they believe the UK has really abandoned boom and bust. History has taught them caution.

J. Sainsbury

The message from J. Sainsbury's interim results is that price competition between big food retailers is back in earnest. In retrospect the discounting of 1993, which saw off the threat of discount stores, looks like a phoney war. The real battle for market share is between the superstore giants – Sainsbury, Tesco, Argyll and Asda – all of which are now fighting fit. If the current wave of price-cutting continues, Sainsbury expects its gross margins to decline by up to half a percentage point in the second half.

Some of the margin erosion is self-inflicted. Like its peers, Sainsbury is investing in service improvements, advertising and promotional gimmicks such as loyalty cards. But while others are seeing a return on their investment in terms of higher sales volumes, Sainsbury is taking the pain without any corresponding gain. In real terms, sales at its existing stores fell in the first half. This explains the 5 per cent fall in the shares yesterday, against a 3 per cent sector decline.

The outlook for food retailers' shares in such a competitive environment is difficult to fathom. Sainsbury kept pace with the wider stock market in the 1980s when it was expanding fast, enjoying modest organic growth and stable margins. The rate of new store openings has now declined. Sales at existing stores are falling and margins are under pressure. The sharper marketing focus promised by the company may stop the immediate rot. *Unless it can deliver impressive gains* from diversification, though, in the long term the shares will struggle to outperform.

Whitbread

It is easy to see why Whitbread has focused its expansion on food retailing and leisure, rather than its traditional core business of brewing. Even with its high-quality premium beer brands and a roasting hot summer, brewing profits still fell, after stripping out the cost of financing trade loans. Margins on take-home beer sales continue to decline, and profits will inevitably suffer in a cooler summer.

Even pub retailing is finding the going tough, with like-on-like sales growth of around 4 per cent. Nonetheless, Whitbread has been aggressively revitalising its pub portfolio, and the results of its investment can be seen in the division's 13 per cent profits growth. This bodes well, given the pace of capital expenditure on inns, hotels and restaurants. Whitbread opened 62 new sites last year, is on track for 115 openings in the current year, and has a further 127 in the pipeline. This should help fuel medium-term growth, even if the chancellor is parsimonious with his anticipated pre-election handouts.

Whitbread's recent acquisitions, from hotels to health clubs, look far less appealing than those it missed, and will do little for next year's earnings. But it could easily fund the next obvious target, Carlsberg-Tetley. This has the attractions of an eager seller and substantial cost savings through merger with its existing brewing business. But if Whitbread fails, it will look increasingly marginal in a rapidly consolidating UK brewing industry.

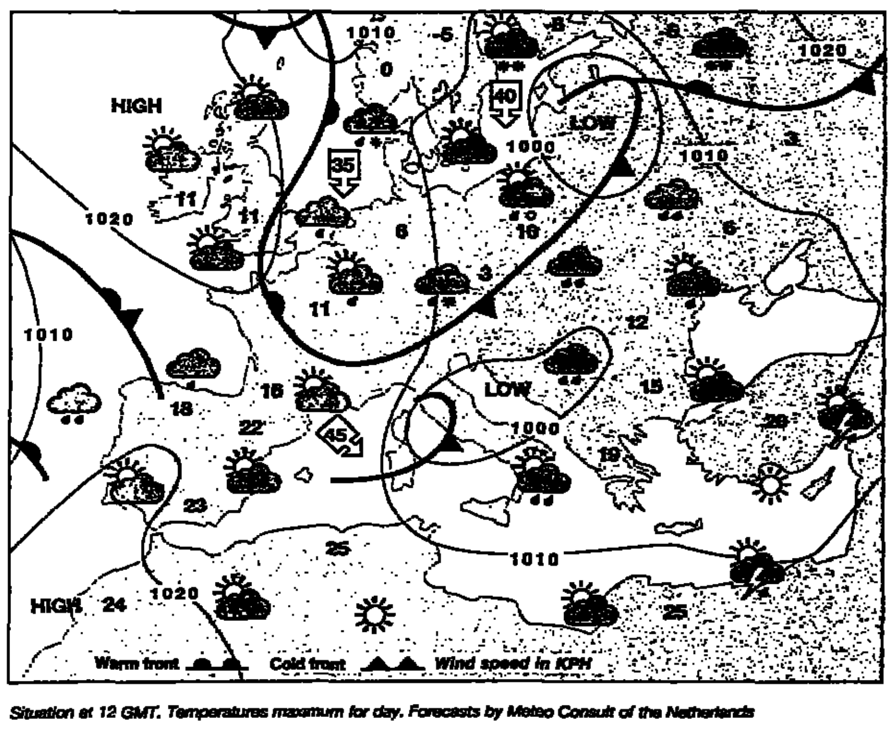
FT WEATHER GUIDE

Europe today

A ridge of high pressure over the British Isles will bring settled conditions and sunny spells. East of this high pressure, colder air will spread into the northern part of the continent. The edge of warmer air will give rain and the Alps will have snow above 1,300 metres. Over eastern Europe, the transition to cooler air will cause cloud and scattered rain. Much of Scandinavia will have afternoon temperatures below freezing. Cloud and rain will linger over Denmark and the Benelux as slightly warmer air moves in from the west. Much of Italy and the western Balkans will be unsettled with plenty of showers.

Five-day forecast

Central and eastern Europe will become colder as arctic air arrives from the north. There will be heavy rain and snow along the boundary with warmer air. South-east Europe will have a lot of rain tomorrow and the Alps will have further snow on Saturday. High pressure will leave the continent, giving way to more unsettled conditions. The UK will have rain this weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	31
Accra	thund	31
Algiers	fair	25
Amsterdam	cloudy	11
Athens	fair	20
Atlanta	cloudy	23
B. Aires	sun	27
B.ham	fair	10
Bangkok	cloudy	33
Barcelona	cloudy	21
Beijing	sun	18
Belfast	sun	10
Belgrade	rain	11
Berlin	cloudy	5
Bermuda	fair	25
Bogota	cloudy	19
Bombay	sun	35
Brussels	cloudy	9
Budapest	rain	9
C.hagen	shower	6
Cairo	fair	25
Cape Town	shower	19
Caracas	cloudy	29
Cardiff	sun	11
Casablanca	sun	23
Chicago	shower	13
Cologne	fair	7
Dakar	sun	30
Dallas	cloudy	21
Delhi	sun	31
Dubai	sun	31
Dublin	sun	11
Dubrovnik	rain	16
Edinburgh	sun	10
Faro	fair	23
Frankfurt	fair	8
Geneva	rain	10
Gibraltar	fair	23
Glasgow	fair	11
Hamburg	shower	6
Helsinki	snow	-4
Hong Kong	sun	28
Honolulu	fair	30
Istanbul	sun	17
Jakarta	shower	32
Jersey	fair	11
Karachi	sun	35
Kuwait	fair	34
L. Angeles	fair	22
Las Palmas	sun	25
Lima	cloudy	20
Lisbon	drzzl	22
London	fair	12
Lux.bourg	cloudy	8
Lyon	shower	10
Madeira	fair	24
Madrid	cloudy	20
Majorca	cloudy	24
Malta	sun	22
Manchester	sun	10
Manila	hur	29
Melbourne	shower	27
Mexico City	cloudy	22
Miami	fair	30
Milan	shower	15
Montreal	cloudy	9
Moscow	snow	-1
Munich	rain	5
Nairobi	fair	26
Naples	shower	18
Nassau	fair	30
New York	shower	19
Nice	sun	19
Nicosia	shower	21
Oslo	cloudy	5
Paris	cloudy	11
Perth	sun	20
Prague	rain	6
Rangoon	fair	34
Reykjavik	drzzl	8
Rio	rain	23
Rome	shower	19
S. Frsco	sun	18
Seoul	cloudy	11
Singapore	thund	32
Stockholm	sleet	2
Strasbourg	rain	8
Sydney	sun	32
Tangier	sun	23
Tel Aviv	shower	23
Tokyo	sun	19
Toronto	cloudy	18
Vancouver	cloudy	7
Venice	shower	15
Vienna	shower	9
Warsaw	fair	5
Washington	cloudy	22
Wellington	fair	14
Winnipeg	fair	-6
Zurich	rain	9

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 2 1995

IN BRIEF

KLM faces battle with US partner

KLM Royal Dutch Airlines may go to court to fight a proposed "poison pill" mechanism at Northwest Airlines, its US partner, that threatens to curtail its voting power in the US carrier. Page 18

BHF-Bank predicts 10% annual rise
BHF-Bank, the German merchant bank, is on target for a rise in operating profits of at least 10 per cent this year after a 6 per cent increase to DM242m ($172m) in the first nine months, according to its chairman, Mr Wolfgang Strutz. Page 18

Dutch partners test 'green' engine recipe
Take two wealthy Dutch automotive entrepreneurs, add the ideas of a 19th century Scottish clergyman and throw in the support of General Motors. The result is the development of an engine which could make cars more environmentally acceptable early next century. Page 18

Taiwan Semiconductor result lifts sector
Prices of Taiwan semiconductor stocks recovered on the strength of third-quarter results from Taiwan Semiconductor Manufacturing, a bellwether for Taiwan's high-technology sector, which reported net profits 66 per cent higher at T$10bn (US$371m) for the first nine months of this year.
Page 20

Khazanah to sell 32% of Hicom Holdings
Khazanah Holdings, the Malaysian state investment company, is to sell a 32 per cent stake in Hicom Holdings, one of the country's biggest listed conglomerates, to Mega Consolidated, an unlisted concern. Hicom has functioned as the government's holding company for heavy industrial enterprises.
Page 20

Indonesians offered stock market tips
Each of the nine collection points receiving applications for shares in Telkom, the Indonesian state telecoms company, is also a workshop on investing in the stock market. It is part of an unprecedented campaign to muster support among a public that has little knowledge or experience of buying shares.
Page 20

Shell Oil to work more with other groups
Shell Oil, the US subsidiary of the Royal Dutch Shell group, is to expand co-operative ventures with other companies as part of its drive to lift its return on capital. Page 21

Recession ambushes Mexican stores group
Cifra, Mexico's fourth-biggest listed company, thought 1995 would be a boom year. So the group, which runs supermarkets, cafeterias and department stores, expanded floor space by 39 per cent and its workforce by 17 per cent. Then Mexico's retail sector went into deep recession.
Page 25

GKN agrees £77m deals with Dana
GKN, the UK automotive components and defence engineering company, sold its axles business to Dana Corporation for £58m ($92m) and bought stakes in three South American automotive groups from the US group for £19m. Page 22

Savoy sells Lancaster Hotel for £9.6m
The Savoy group of hotels has finally sold the Lancaster Hotel in Paris, which has been on the market since the beginning of last year, for £9.6m ($15m) – well below the original £11m asking price.
Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Agiv	748	+	17
Beiersdorf	970	+	25
Linotype	185	+	7
Falls			
Aachen Mch Reg	915	–	30
Herlitz	250.5	–	9.5
Klockner Werke	56	–	6.8
NEW YORK ($)			
Rises			
DST Systems	25	+	4
Corr Co Amer	28⅞	+	1⅝
Sithall	33⅞	+	1⅞
Falls			
Franklin Quest	22⅝	–	1⅝
John Harmon Hd	10	–	1¼
Kubota Corp	122	–	7
LONDON (Pence)			
Rises			
Heritage	29	+	6½
Falls			
Automated Sec	23	–	9
Belgrchik	171	–	15
Evans Halshaw	318	–	65
Norcor	89	–	12
Zetas Food	46	–	5
TORONTO (C$)			
Rises			
DMR Group A	12⅝	+	1⅞
Diamond Fields	26	+	1⅞
Metroworks	7	+	1½
Van Houtte	19	+	1¾
Falls			
Andres Wines A	11¼	–	¾
Cdn Air A	3.85	–	0.9
TOKYO (Yen)			
Rises			
Asahi Optical	390	+	17
Denny's Japan	3200	+	130
Yoshitomi Pharm	849	+	34
Falls			
Kikkoman	696	–	34
Kinki Npn Rlwy	755	–	35
Sanden	548	–	31
BANGKOK (Baht)			
Rises			
NE Prods	11.75	+	1.0
Sunwood Inds	33.75	+	2.25
Falls			
Singer	198	–	18
Thai Steelpark	101	–	7
Tonghua	31.75	–	3.25
United Flour	42.5	–	4.5

Hong Kong and Paris closed. New York and Toronto prices at 12:30.

Compaq finds problem with Pentium Pro

By Louise Kehoe in San Francisco

Several leading computer manufacturers introduced machines based on Intel's Pentium Pro at the launch of the new high-speed microprocessor chips yesterday. But Compaq Computer said a potential problem had emerged in using Pentium Pro computers on networks.

Compaq said in certain circumstances desktop Pentium Pro computers linked to networks failed to pass network configuration tests.

The problem could cause the computer to drop off the network, failing to communicate with other computers, Compaq said.

No such problems were found by several other computer companies that demonstrated new Pentium Pro computers yesterday. These included International Business Machines, Hewlett-Packard, Digital Equipment, AST Research, ALR and Unisys.

Intel said the problem was rare and occurred only if low-speed data input-output circuit boards – which route data to and from the microprocessor – are plugged into the new high-speed computers.

"It is like putting bicycle wheels on a Ferrari," said Mr Lew Paceley, Intel marketing manager.

Compaq will postpone shipments of new Pentium Pro desktop computers until the problem is resolved, said Mr John Rose, Compaq senior vice-president, probably until the first quarter of 1996. Analysts do not expect Compaq's caution to have a significant impact on Intel's Pentium Pro sales.

Surprising industry analysts, Intel said the Pentium Pro family of chips will debut with speeds up to 200MHz, much faster than expected. The higher speed will enable Pentium Pro computers to leapfrog the performance of today's fastest technical workstations.

Although Intel dominates the market for microprocessors used in personal computers, faster RISC (Reduced Instruction Set Computing) chips have held sway in the market for computer workstations used in scientific applications and financial analysis.

The new Pentium Pro chips will enable Intel to compete in this segment, as well as expanding its presence in the market for computer network servers, said Mr Carl Everett, Intel senior vice-president.

Intel also announced lower than expected prices of under $1,000 for some Pentium Pro chips in an aggressive bid to accelerate market acceptance.

The new Pentium Pro machines, expected to sell for $4,000, will put pressure on companies such as Sun Microsystems, Hewlett-Packard and Digital Equipment to lower their workstation prices, industry analysts said.

UBS expects good results for year after third-term growth

By Ian Rodger in Zurich

Union Bank of Switzerland, the country's largest bank, said its earnings showed "a positive development" in the third quarter and net income after nine months was "slightly up" on the same period of last year. No figures were given.

UBS's net income in the first half was down 10.4 per cent to SFr832m ($736m), mainly because of higher interest arrears and provisions for bad debts. The bank, which has given differing signals on its performance in recent months, said it now anticipated "good" full-year results. The bearer shares rose SFr11 to close at SFr1,241 on the news.

It said consolidated operating income in the first nine months was higher than the year earlier.

Trading income rebounded to account for one-fifth of total income compared with only 18 per cent at the halfway stage. Net interest income, which was down 10.4 per cent after six months, was still down after nine months, "although the situation was better than that at mid-year", the bank said.

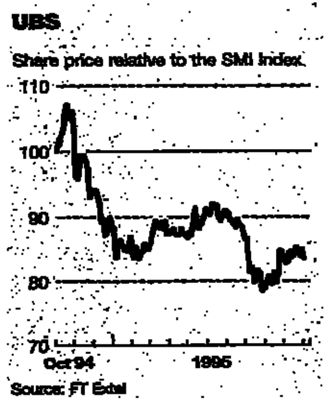
"Interest arrears continue to constrain profits, although their volume declined in the third quarter," it said. It expected a further easing as a result of the downward trend of interest rates.

Fee and commission income, which was down 7.9 per cent at the interim stage, remained lower after nine months, "affected by fiercer competition and the strong Swiss franc".

Expenses were said to be flat, and provisions and value adjustments remained at last year's high level, mainly because of problems with domestic credits.

"UBS rates the outlook for the fourth quarter as positive and is therefore looking for good year-end results," it said.

UBS
Share price relative to the SMI index



Source: FT Extel

UK food retailer sees underlying sales fall

By Neil Buckley in London

J. Sainsbury, Britain's biggest food retailing group, showed yesterday it was continuing to be outmanoeuvred by rivals in the supermarket wars, with disappointing interim profits and a fall in underlying sales volumes in its UK supermarket chain.

Shares in the group fell 21p to 403p, as it announced pre-tax profits for the 28 weeks to September 23 up 1.5 per cent to £450.9m ($712.42m) – one of its smallest interim increases for a decade. Although total group sales rose 11 per cent to £7.05bn, Sainsbury revealed a 2.2 per cent fall in sales volumes from existing stores in its UK supermarket chain – well below the 6 per cent increase reported by rival Tesco in September.

Sainsbury also warned that its gross margin could be squeezed by up to half a percentage point in the second half, if aggressive price competition continued to limit its ability to pass on inflationary pressures in the food supply chain.

Analysts downgraded full-year profits forecasts from £860m-£870m to about £825-£830.

Sainsbury, which last week appointed a new marketing director, has been criticised for less effective marketing than its rivals. It was initially scathing about Tesco's Clubcard, its loyalty card scheme which has boosted sales this year, but later extended its own trial scheme to 60 per cent of stores.

Mr David Sainsbury, chairman, said he still regarded loyalty cards in food retailing as a "tactical" rather than "strategic" weapon. But he conceded the group needed to market itself more aggressively.

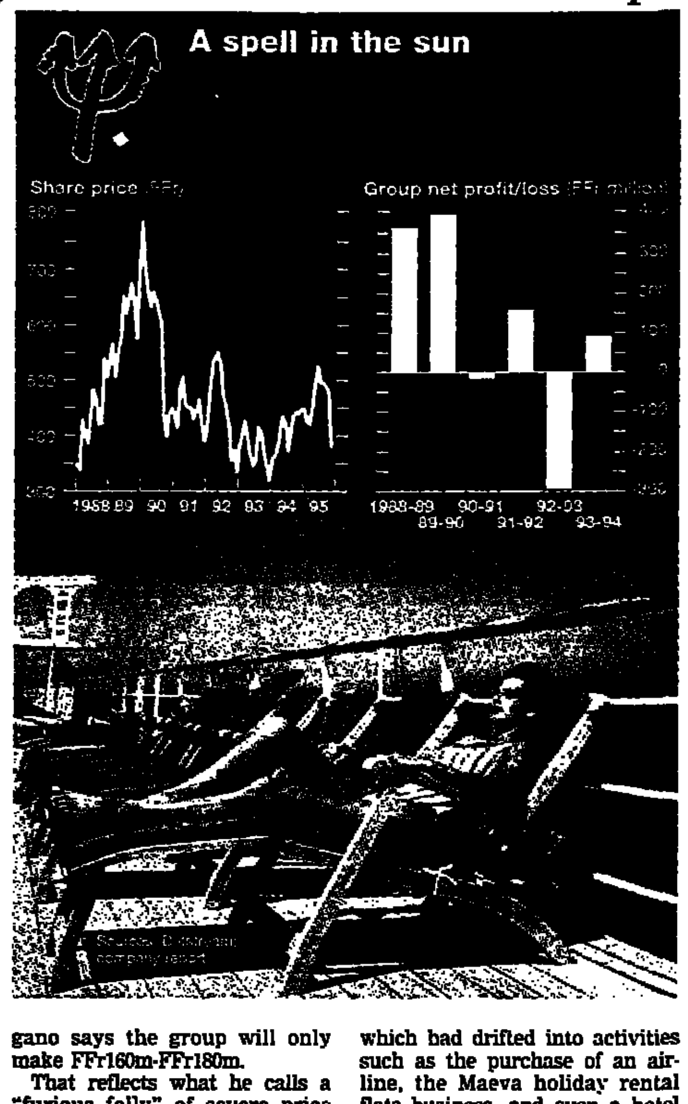
He added that Sainsbury's pre-tax profit would have increased 5.6 per cent to £469m, without a £7.5m operating loss and £10.8m interest charges from Texas, the DIY chain acquired from Ladbroke in January. Sainsbury is in arbitration with Ladbroke over the value of Texas's stock.

There was better news from other divisions, with sales and profits growing at the Shaw's and Giant Food chains in the US. Earnings per share rose only 2 per cent to 16.74p but the dividend was lifted 6 per cent to 3.4p.

Lex, Page 16

The French leisure group is being forced to restructure its concept

An altered image as Club Med matures



Club Méditerranée may not have invented the phrase "sun, sea and sex" to describe its holiday packages, but neither is its chairman embarrassed about the picture it conjures up.

Mr Serge Trigano, whose father Gilbert founded the French leisure group 38 years ago, says: "It's a bit reductionist, but there's a bit of truth to it too. The sea has always been part of our holidays; everyone likes to come back tanned by the sun; and as for sex, it's part of life."

But as Club Med's many repeat customers have aged along with the company, and the tastes of younger generations have changed, so too is the business being forced to restructure its concept and redress some of its recent costly misadventures.

Some critics argue that the idea of an all-in holiday in a custom-built village is outmoded, and point to projected profits for this year well below market expectations, which helped push down the share price. A FFr880m ($181m) rights issue announced last week weakened the stock still further, and did little to inspire short-term optimism.

Mr Trigano is relatively sanguine. "I don't pose philosophical questions about the future of the Club," he says. "The concept leaves no-one indifferent. Everyone thinks it's either wonderful or useless. I've lived through periods of people saying the concept is dead, but then our competitors imitate us. You don't copy a concept that is dead."

He says the biggest critics of Club Med are often those who have never tried its holidays. He stresses that these days there are telephones in the bedrooms, no 6am wake-up whistles, no obligation to do everything in large groups, and customers can eat as much breakfast as they like, whatever time they rise.

Mr Trigano claims the many leisure enterprises – often construction companies – which in the 1980s believed they could make money by building hotels along the Mediterranean coast with no accompanying services are in financial difficulty.

Club Med, by contrast, prides itself on its teams of well trained, young and enthusiastic "GO" staff *(gentils organisateurs)* and carefully thought-out activities. "You can play tennis, and we will even find you someone to play with," he says. Customers can mix sports with a pottery class, relaxation on the beach or cultural visits.

"We are permanently changing," he says, pointing out that clients now often come for a week rather than two or three weeks a decade ago, and span all ages with differing needs.

Mr Trigano says one source of Club Med's income today is selling its expertise of high-quality service provision to others – including a recent contract with a North African airline.

Ironically, much of the group's growth is no longer from French customers – who now number about a third of total clients – but from North American and Japanese holidaymakers.

Club Med has had its share of difficulties. It reported losses of FFr296m in 1992-93, and crept back into the black to just FFr94m last year. Some analysts were predicting FFr230m or more in profits for 1994-95, but Mr Trigano says the group will only make FFr160m-FFr180m.

That reflects what he calls a "furious folly" of severe price competition in the leisure sector, but also some specific incidents, including the shelling of a Club Med village in Israel this summer which it closed at a cost of $2m, and French nuclear testing, which it estimates has cost $5m-$6m in lower attendance in its Polynesian locations.

There are also longer-term costs to absorb. Since Mr Trigano replaced his father as chairman two years ago, he has had to cut costs and refocus the business, which had drifted into activities such as the purchase of an airline, the Maeva holiday rental flats business, and even a hotel complex in the middle of Vienna.

He has now disposed of the airline, is in discussions with Havas, the media and leisure group, to sell Maeva, and pledges that similar Vienna-style complexes will not be built.

A FFr880m rights issue launched last month should reduce the ratio of debt to equity from two-thirds to about half, which he believes is an acceptable level. Equally, the Agnelli family is lifting its stake in the group to 13 per cent to become by far the largest investor.

The Club is increasingly concentrating on the management of leisure complexes through contracts, and expects the proportion of villages it owns to fall from half to a quarter over the next few years.

Mr Trigano believes there is potential for new centres in Europe and North and South America, but he places particular emphasis on "four large zones" in Asia over the next few years. It is in talks for two new sites in Japan, two in China, several in India and a number of others in south-east Asia, co-ordinated through Singapore.

Andrew Jack

Golden opportunities in SE Asia

When Club Med entered the Japanese market in 1973, most Japanese balked at their packages consisting of five to six days at a resort in the Pacific, writes Emiko Terazono in Japan.

In those days overseas holidays were still uncommon, and those who did venture outside Japan often spent a day in one city before moving on to the next. "People didn't understand the concept of taking holidays in resorts and staying in one place for the whole time," says Club Med's Japanese arm.

Two decades later, the company has established itself with operations in exotic parts of Asia and the Pacific while in Japan it set up a skiing resort in Sahoro, Hokkaido, the northern island.

Its initial target was honeymooners, but it has also managed to cultivate families and female office workers with leisure time and disposable income. In the early 1980s, 90 per cent of its clients were honeymooners, but now they account for 30 per cent of sales, while families with small children account for another 30 per cent and young working women the remaining 30 per cent.

However, competition is eating away at its profitability, and although the company enjoyed average sales growth of 20-30 per cent during the economic "bubble" of the late 1980s, the figure has declined sharply to about 5 per cent.

Club Med sees opportunities in the growing middle class in south-east Asia, and has established offices in big cities around the region. Visitors from Taiwan and South Korea, which removed its ban on foreign travel a few years ago, have increased.

Second Danish shipyard under threat

By Hilary Barnes in Copenhagen

A second Danish shipyard was placed on the danger list yesterday when Lauritzen Holding, parent company to J. Lauritzen Shipping, said it would not inject new equity capital into its shipbuilding subsidiary, Danyard.

Danyard, at Frederikshavn in Jutland, has about 2,000 employees and a turnover in 1994 of DKr1.4bn ($258m). Burmeister & Wain, the Copenhagen shipyard, went into receivership in June. Attempts at a financial reconstruction with the agreement of international bondholders have failed, and B&W appears on the verge of filing for bankruptcy. The B&W board met yesterday to discuss the business's plight.

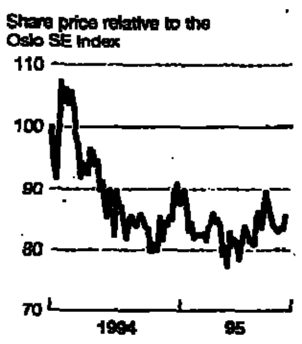
Danish shipyards have been hit by the weakness of the dollar, but Danyard also blamed sloppy working at the yard, and called on employees to achieve an improvement in productivity of at least 10 per cent.

The yard is expected to make a loss of about DKr100m in 1995, and a statement to employees from the management has warned that at this rate the yard's equity capital will be exhausted when the present order backlog is cleared.

Lauritzen Holding has promised to give the yard the necessary support to complete the present orders, but said it would not provide new capital. It warned this could mean the closure of the yard – which is currently building seven chemical tankers, two bulk carriers, two Seajet fast car ferries and several vessels for the Danish navy – has work until mid-1997. Danyard made a loss of DKr177m in 1994, reducing its equity capital to DKr274m.

EUROPEAN NEWS DIGEST

Write-back boosts Christiania Bank



Christiania Bank, Norway's second-biggest bank, doubled operating profits from NKr1.13bn to NKr2.32bn ($372.5m) in the first nine months. The key to the performance was a write-back of NKr1.06bn previously set aside as loss provisions. The development reflected the boom in the Norwegian economy and very low levels of new losses. *In spite of the* improvement, the bank's shares fell NKr0.2 to NKr14.90 after it warned that write-backs would steadily decline and loan losses would rise from 1994 and 1995 levels in the longer term. It also said margins were being squeezed by fierce competition. Operating profits before the loan loss impact were only slightly higher than last year at NKr1.27bn against NKr1.17bn. Growth in net interest income from NKr2.33bn to NKr2.5bn was offset by a fall in non-interest income from NKr1.12bn to NKr1.09bn and an increase in expenses from NKr2.28bn to NKr2.32bn.

The performance contrasted with trends at Den norske Bank, Christiania's main rival, which reported its nine-month figures on Tuesday. DnB saw a fall in net interest income from NKr3.54bn to NKr3.24bn, but compensated for the drop with a big increase in profits from currency and bond trading. DnB wrote back NKr374m of previous loan losses.

In the third quarter, Christiania lifted profits from NKr336m to NKr502m. Good growth in non-interest income compensated for a reduced level of loan write-backs. The bank said problem commitments fell by NKr1.1bn to NKr6.9bn during the period. *They are now NKr10bn below the level of 2½ years ago, when* Norway was gripped by a serious banking crisis.

Christopher Brown-Humes, Stockholm

Pharmacia extends Upjohn offer

Pharmacia, the Swedish drugs group, said 96 per cent of shareholders had voted for its proposed merger with Upjohn of the US. The acceptance period is being extended to November 17, it said.

The original acceptance deadline of October 20 was extended to October 27 for US shareholders following enquiries from the US Federal Trade Commission into aspects of the two companies' research and development.

The FTC cleared the merger on Monday. Mr Jan Blomberg, finance director, said he expected the merger to generate savings of more than $100m this year against the $200m previously forecast. *AFX News, Stockholm.*

Maculan incurs Sch458.1m loss

Maculan, the troubled Austrian construction group, has reported a Sch458.1m ($46.23m) loss in the first half of 1995, *mainly because of the difficulties of its subsidiaries in eastern* Germany. It warned the full-year results would be "greatly burdened" by further provisions and restructuring, which was being worked out with advisers. It said the projected measures "should enable the group to return to sustainable profitability by the year 1997".

Maculan issued a warning on September 4 that it would suffer "a considerable loss" this year because results of its German operations were "far below expectations". It said its German and Austrian bankers had agreed to continue their financial support.

Maculan has been one of the most aggressive investors in eastern Germany following the lifting of the Iron Curtain, with DM340m ($241.4m) invested to date. However, its growth outstripped its management capacity. Local managers were not adequately supervised and the group was slow to react to increasingly severe competition from companies based in weak currency countries.

The group said yesterday its turnover in the first half was up 12 per cent to Sch7.74bn, with 54 per cent attributable to eastern German business. Orders in hand at the end of June stood at Sch11.22bn, 11.8 per cent higher than a year earlier.

Ian Rodger, Zurich

■ Hungarian Oil and Gas (Mol) and OMV, the Austrian oil company, have accepted the Croatian privatisation fund's offer to purchase 12.5 per cent each of the Adriatic pipeline for DM185.7m. *Thomas Kiss, Budapest*

Mol share issue details, Page 24

KLM faces court battle with US partner

By Ronald van de Krol in Amsterdam and Maggie Urry in New York

KLM Royal Dutch Airlines may go to court to fight a proposed "poison pill" mechanism at Northwest Airlines, its US partner, that threatens to curtail its voting power in the US carrier.

The Dutch national airline, which currently holds 21 per cent of the votes at Northwest, acknowledged yesterday that it was in disagreement with "certain other shareholders" about proposed "corporate governance measures".

The dispute came to light after Northwest said in a filing with the US Securities and Exchange Commission that it could face court action from KLM over what it called a "shareholders' rights plan".

KLM declined to name the other *parties to the dispute,* but they are believed to be Mr Gary Wilson and Mr Alfred Checchi, the two financiers who acquired Northwest in a 1989 leveraged buy-out in which KLM took part.

The US airline's board of directors, *co-chaired by Mr* Wilson and Mr Checchi, is considering limiting the size of any one *shareholder's* equity to between 15 per cent and 20 per cent.

In addition to the 21 per cent voting rights, the Dutch airline holds 25 per cent of Northwest's common stock. It also has options to buy additional vote-carrying shares in 1998.

Northwest defended its poison pill proposals as being in the interests of all shareholders, particularly in light of increased merger and takeover activity in the aviation sector. It will be discussed at a board meeting on November 16.

"Any KLM *litigation that* might arise from this disagreement would be without merit," Northwest said yesterday, adding that all of its big competitors had similar "caps" on stock ownership.

In Amsterdam, KLM said it had no objections to poison pill constructions designed to protect Northwest against "undesirable outside threats." But it did "object to attempts *to affect adversely the rights* granted to KLM in the past".

KLM, which raised its Northwest stake from 20 per cent to 25 per cent in September 1994 by buying shares owned by Foster's Brewing of Australia, repeated yesterday it had no interest in gaining control over Northwest. However, it would not be drawn on whether it wanted to raise its shareholding.

KLM insisted yesterday that its dispute was not with Northwest but with some of its shareholders, adding that the two airlines' alliance would *not be affected.*

Lex, Page 16

BHF-Bank sees profit growing 10%

By Andrew Fisher in Frankfurt

BHF-Bank, the German merchant bank, is on target for a rise in operating profits of at least 10 per cent this year after a 6 per cent increase to DM242m ($171.83m) in the first nine months, Mr Wolfgang Strutz, chairman, said.

He added that if the steady rise in quarterly profits continued in the fourth quarter, "with a bit of luck, we should achieve double-digit growth in operating profits". He *saw* no risks which would prevent the previous dividend of DM14.50 *from being maintained.*

Explaining the bank's intention to take a 5 per cent stake in Postbank, due to be privatised, Mr Strutz said the aim was to sell more investment fund products through Postbank's distribution channels. But this depended on a co-operation agreement between Postbank and Deutsche Post, the postal service, and on an acceptable valuation of Postbank.

*He did not comment on esti*mates that a 5 per cent stake would be worth DM200m. Postbank has signed letters of intent with BHF-Bank, Volksfürsorge insurance (seeking a 20 per cent stake) and the BHW building society group (10 per cent).

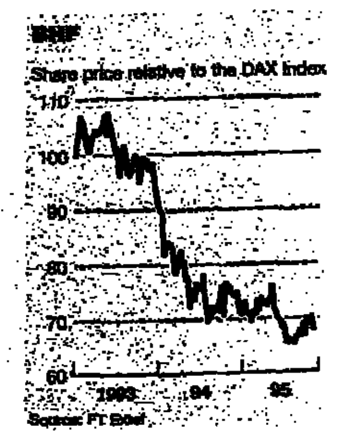
This followed a hostile bid by Deutsche Bank, Swiss Reinsurance and Deutsche Post to buy 75 per cent of Postbank.

Elaborating on the bank's results, Mr Strutz said the rise in profits compared with a 3.5 per cent decline at the halfway stage. *Like other* German banks, BHF-Bank has benefited from improved capital markets and the fact that this year's third quarter compared with a weak corresponding period in 1994.

Trading profits rose to DM59m in January-September from DM11m in the same period of last year. Mr Strutz said trading in foreign exchange and derivatives was especially successful. Interest income showed only a 1.3 per cent rise to DM540m. But commission income was 4 per cent higher at *DM280m, mostly* stemming from commercial banking; fee income on securities business was below last year's level, although it has been picking up.

He also said the bank intended to structure its capital to improve earnings per share significantly. It could raise an extra DM1bn through subordinated loans, so there would be no need for a rights issue next year. Analysts have complained of the bank's reliance on rights issues and the dampening effect on earnings per share.

BHF-Bank has recently been concentrating more intensively on higher-margin advisory, asset management and trading activities. As part of its drive to improve performance, Mr *Strutz said, the* bank would also cut central overhead and service costs, which total around DM200m.



Hoechst overtakes Bayer in chart race

By William Cochrane

Yesterday was a big day for *German chartists – if they* were awake. With most of the country's financial markets either closed, or becalmed by the All Saints' holiday, a sleepy Frankfurt saw the Hoechst share price pass that of Bayer.

For years, Bayer *mostly* stood at a significant premium to Hoechst and BASF, reflecting its pharmaceuticals content and the vulnerability of competitors to the bulk chemicals cycle. Mid-July saw Hoechst at DM318.80, BASF at *DM319,* and Bayer at DM371.

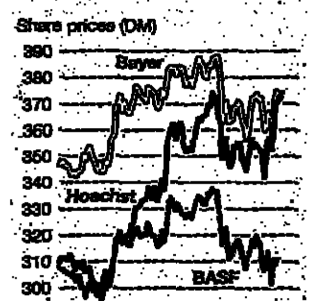
However, in May, Hoechst finalised the $7.1bn takeover of Marion Merrell Dow, the US drugs company, bringing the group's drugs content up in line with that of Bayer. Since then, analysts have been making powerful arguments in support of the group's diversification policy, and its share price.

Yesterday, Hoechst put on a spurt in the afternoon, perhaps *reflecting transatlantic influ*ences; its share price rose another DM9 to DM377, finally topping Bayer's DM3 rise to DM375.50. BASF was DM5.15 higher on the day but trailing in absolute terms at DM313.

Mr Andreas Schmidt, who analyses the sector for BZW in Frankfurt, reckons both Hoechst and Bayer will now see between 75 per cent and 80 per cent of their profits from *the pharmaceuticals sector* in a bad year for the bulk chemicals business. The proportion would fall to 50 or 55 per cent with bulk chemical profits at *their peak,* as they were in the first two quarters of this year.

Hoechst leads off the third-quarter results season for the "Big Three" next Monday. Results could be complicated by the parent's treatment of restructuring costs resulting from the MMD acquisition; by the *timing and split of the* depreciation of goodwill which could come to DM5bn; and by profits from divestments.

However, analysts expect an underlying profits *gain* of 35 per cent for July-September: unexciting, perhaps, after leaps of 94 per cent, and 93 per cent, in the first two quarters. But, as Mr Schmidt points out, the third quarter of 1994 had already seen a significant recovery, with pre-tax profits up from DM146m to DM605m.



Aga surges to SKr1.6bn

By Christopher Brown-Humes in Stockholm

Aga, the Swedish industrial gas group, saw profits after financial items jump 35 per *cent to SKr1.6bn ($240m) in the* first nine months, backed by *favourable* business conditions in most of its markets.

Pre-tax profit was SKr2.2bn after including a SKr601m capital gain from the sale of a 7.2 per cent stake in Avesta *Sheffield, the Anglo-Swedish* stainless steel producer.

The figures were better than investors expected and the group's B shares rose 3 per cent to SKr88.

Mr Marcus Storch, chief executive, said the earnings trend was "very *favourable*" although the rate of increase in the third quarter, when profits rose to SKr485m from SKr398m, was slower than earlier in the year.

Operations in the Nordic *region and the rest of western* Europe recorded healthy increases in earnings, but the trend in other markets was more uneven.

Operating income was SKr1.49bn, giving a margin of 14.8 per cent on sales of *SKr10.07bn. In the same 1994* period, operating income amounted to SKr1.2bn for a margin of 13.0 per cent on sales of SKr9.2bn.

The group has two main operations: industrial gas and a power associate, Gullspangs Kraft.

Gas operations contributed SKr1.45bn to *income after* financial items, up 38 per cent from last year, while Gullspangs Kraft contributed SKr150m, a 13.6 per cent increase.

Investments, including air separation plants in the Nordic countries, Germany, the Netherlands, Russia, Mexico and Chile, rose more than 50 per cent to SKr1.83bn from SKr1.20bn.

The group is sticking to an earlier forecast that full-year income, excluding the capital gain, *will be at least 20* per cent higher than last year's SKr1.72bn.

It said fourth-quarter profits should match last year's SKr543m.

EBRD and Kelme in $18m deal

By Pilar Junco

The European Bank of Reconstruction and Development and Kelme, Spain's leading manufacturer of sports and *leisure shoes, has signed two* agreements worth $18.3m to produce sport shoes in joint ventures in Moldova and Russia.

These are the first EBRD projects to be syndicated with private banks and public institutions. It is also the first direct private sector financing in eastern Europe with a Spanish sponsor.

About $11m of the EBRD loan will be invested in Bashkortostan-Kelme, the joint venture in southern Russia. The remaining *$7.3m will go to* Ascom-Kelme in Moldova.

Both businesses plan to manufacture around 4m pairs of sport and leisure shoes, pri*marily for eastern Europe and* the former Soviet Union markets, which have a strong potential.

The signing, hosted by Mr David Hexter, EBRD deputy vice-president, was also attended by representatives of the Instituto de Credito Oficial of Spain and Banco Bilbao Vizcaya, which are co-financing the projects with an extra $18.6m. Following this project the ICO hopes to encourage Spain's private banking sector to invest further in eastern Europe and the former Soviet republics.

Mr José Quiles Navarro, president of Kelme, said he expected to create 1,900 new *jobs in Moldova* and the Republic of Bashkortostan. He hoped the companies would start making profits in three years.

The loan from Spanish banks was provided with export guarantee coverage by the Spanish export credit agency (CESCE). Cofides, the Spanish state agency specialising in the promotion of Spanish investments abroad, will refinance a subordinated loan to the Russian joint venture.

Roussel Uclaf ahead at nine months and upbeat on year

Roussel Uclaf, the French pharmaceuticals group in which Hoechst of Germany owns a majority stake, has posted a 64 per cent increase in post-tax profits after nine months, from FFr635m to FFr1.04bn ($212.5m), Reuter reports from Paris. The results were flattered by exceptional *items.* Excluding *these* and on a like-for-like basis, profits rose 13 per cent from FFr846m to FFr957m.

Disposals meant turnover fell from FFr13bn to FFr11.9bn. On an ongoing basis, sales increased nearly 1 per cent from FFr11.86bn to FFr11.96bn.

The group said it was confident about its full-year performance. But it warned the results would be affected by sensitivity to winter illness rates and, to a lesser extent, currency fluctuations.

Operating *income growth* confirmed an improvement seen in the first half. Roussel Uclaf's share of income at AgrEvo – an agrochemicals joint-venture between Roussel Uclaf, Hoechst and Schering – accounted for by the equity method, was lower at September 30 than at June 30, because of the seasonal nature of AgrEvo's sales.

The French group said it would continue to play a significant role in the global Hoechst Marion Roussel organisation after Hoechst's acquisition of Marion Merrell Dow of the US. It outlined a plan for the creation of Hoechst Marion Roussel joint ventures in most of Latin America and Europe.

Under the plan, the companies' capital would be shared *between partners on the basis* of the value of assets contributed by Roussel Uclaf and Hoechst.

It said Hoechst and Roussel Uclaf were *considering merg*ing their animal health businesses in a subsidiary in which Hoechst would be the majority shareholder.

Still searching for a cheaper, greener engine

Bosal believes that the Stirling concept is the answer, but success has proved elusive

Take two wealthy, publicity-shy Dutch automotive *entrepreneurs, add* the ideas of a 19th century Scottish clergyman and throw in the support of General Motors. The result is the development of an engine which could make cars more environmentally acceptable early next century.

A leading player in the project is Mr Karel Bos, the chairman of Bosal, one of the world's five biggest exhaust systems companies with annual sales of DM875m ($621m). The company is *owned by a private trust with* headquarters in Liechtenstein and divulges little financial information – not even who its shareholders are.

Mr Bos sees developing a mass-produced Stirling engine – devised in theory in 1816 by the Rev Robert Stirling – as a way of providing business for his company over the next 30 years. Stirling engines hold out the promise of better fuel consumption and lower pollution but their development has been plagued by technical problems.

In a rare interview, Mr Bos said building Stirling engines *"fitted in very well"* with Bosal's expertise in materials and electronics. "The days of the internal combustion engine are numbered on environmental grounds. They [Stirling engines] are a door into the future."

His father, also called *Karel,* founded the company in 1923 in the Netherlands. Its name is derived from Bos and the family's home town of Alkmaar where Mr Bos's predecessors were 17th century blacksmiths.

Now based in Belgium, Bosal has 26 plants in 11 countries with a strong position in Europe, Canada and South Africa – which is where it developed much of its early business.

Karel Bos: 'days of the internal combustion engine numbered'

Also backing the Stirling engine project is Mr Ton Kott, who set up and ran Iku, a *low-key* but highly successful maker of actuators for wing mirrors whose patented designs are used by most of the world's big car makers. In May this year Mr Kott *sold Iku to* Eaton, the US automotive group, for an undisclosed sum. Last year Iku, with plants in the Netherlands, the US and Poland, had sales of about $80m.

Mr Kott and Mr Bos recently took control of Stirling Thermal Motors, a company in Ann Arbor, Michigan, which has been developing Stirling engines for a decade – so far without succeeding in turning the theoretical ideas into practical, low cost machines.

While neither Mr Bos nor Mr Kott would say how much money they are putting into Stirling concept, the sum is believed to be several tens of millions of dollars. Mr Kott said he was "optimistic" the project would succeed. Stirling Thermal Motors employs more *than 30* engineers and is thought to have a budget of more than $5m a year.

A fan of Mr Bos is Mr Amory Lovins, one of the leading US alternative energy gurus and research director at the Rocky Mountain Institute, a Colorado-based think-tank examining environmental and transport issues. "He's an *industrialist* of strategic vision – of the kind you don't meet very often," said Mr Lovins.

The Dutch entrepreneur's efforts have also won the praise of Mr Mounir Kamal, director in charge of electrical and propulsion systems at General Motors' *research and* development centre in Warren, Michigan.

He said the programme at Stirling Thermal Motors – in which a majority shareholding is owned jointly by Mr Kott and Bosal – had "substantially progressed the state of the art" in Stirling engines.

General Motors plans to use the ideas from the Stirling project, assuming they prove workable, in a $1bn government-industry research programme unveiled by President Clinton *in 1993 called Partner*ship for a New Generation of Vehicles.

Under this scheme, which also involves Chrysler and Ford and several government research laboratories, car constructors hope to use a combination of *research in light*weight materials, propulsion systems and computerised control systems to produce a vehicle by 2002 that gets three times the mileage of today's cars without compromising performance or safety.

According to Mr Kamal, the development of mass-produced Stirling engines costing about $2,000, roughly the cost of today's petrol engines, would require spending of "hundreds of millions of dollars" over the next decade. He rated the chances of their being developed *"quite high"*, especially if anti-pollution laws are tightened.

Mr Bos sees Stirling systems as a logical development of Bosal's business in exhaust systems, which account for about 70 per cent of sales with the rest covered by other automotive products. But Mr Bos – who speaks five languages and has a passion for aircraft, own*ing six of them* – admits to the difficulties. The Stirling concept relies on shuttling gases between two cylinders, using the laws of thermodynamics to extract energy from the hot and cold parts of the engine. A range of power sources can be used, from diesel to solar energy, with the theoretical advantage of much higher efficiencies than in conventional petrol engines.

But putting theories *into* practice requires complicated and expensive technologies in *areas such as electronics* and materials engineering. While Stirling engines have been made for some specialised power uses, attempts at creating a cheap machine for every-day vehicles have proved unsuccessful.

In its mainstream business activities, Bosal – whose competitors include big US companies such as Arvin and Walker, part of Tenneco – has this year opened a $12m plant in Lavonia, Georgia, its first in the US. It is planning to expand into *China,* eastern Europe and South America. Mr Bos said he was in detailed talks over setting up a plant in the former Yugoslavia until war *broke out.*

Mr Bos finds running the company easier "with no shareholders to charm". Beyond talking about overall sales, *his policy* is not "to give out financial information, either now or in the future."

Peter Marsh

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ASIA-PACIFIC NEWS DIGEST

Mitsui, Siam Cement in petrochemical deal

Japan's Mitsui Petrochemical and Siam Cement, Thailand's largest industrial conglomerate, will invest $112m to build a purified terephthalic acid (PTA) petrochemical plant on Thailand's eastern seaboard. The plant will have an annual capacity of 350,000 tonnes and will become operational in 1999. This is the second big PTA investment recently announced in Thailand. Last month, Taiwan's Tuntex said it would invest $750m in a 900,000m-tonne PTA plant to add to existing capacity of 350,000 tonnes.

Mitsui and Siam Cement will each hold 50 per cent of the new plant, which will link with another joint venture between the two companies producing polypropylene compounds. Polypropylene and PTA are raw materials for synthetic fibres used in Thailand's expanding textile industry.

Siam Cement said the investment would be undertaken by its Cement Thai Chemical subsidiary, which would finance its portion of the investment through a package of bank loans.

Ted Bardacke, Bangkok

Indian investment bank ahead

The Industrial Credit and Investment Corporation of India, a leading investment bank, lifted net profit to Rs2.64bn ($77m) in the half-year ended September 31, a 22 per cent increase on last year's six-month figure of Rs2.16bn. Total income, including capital gains, for the period was Rs14.57bn compared with Rs11.42bn in the corresponding period last year – an increase of 28 per cent.

Though fund-based activities continued to predominate in ICICI's income, non fund-based income registered an increase of 138 per cent, from Rs72m last year to Rs170m. The company said this was largely because of the growth in such areas as letters of credit commissions.

ICICI, which owns an investment bank in partnership with J.P. Morgan of the US, announced this week that it would tap US-based institutional buyers, including insurance companies, to raise $200m. J.P. Morgan will be the lead manager for the issue.

Shiraz Sidhva, New Delhi

Matsushita in China TV venture

Matsushita Electric Industrial of Japan is setting up a joint venture to develop and produce colour television sets in China with local companies. The new company, Shandong Matsushita Television and Visual Co, will be established later this month. It will be capitalised at $25m and owned half by Matsushita and half by three Chinese companies.

The new company, expected to start production in June 1996 with 470 workers, aims to make 100,000 21-inch, 25-inch and 29-inch TVs in the first year of operation. The three Chinese firms are Shandong TV Factory, a Chinese television manufacturer; Shandong Dong Chen Industrial Group, an investment firm which manages the development zone of Jinan; and Beijing Huasong Electronic Technology Development, an official investment company which is part of China's ministry of electronics industries.

Reuter, Tokyo

Food groups face price-fix probe

Australia's Trade Practices Commission, the competition watchdog, has filed a statement of claim, alleging that Steggles – a subsidiary of Goodman Fielder – and Ingham Enterprises were involved in organising price-fixing and market-sharing agreements for processed chicken products in South Australia in late-1992.

In a statement to the Australian Stock Exchange, Goodman, the country's largest food group, said it was taking the allegation "very seriously" and would assist the TPC "in any way we can". It noted, however, that the statement of claim related to meetings alleged to have occurred in South Australia only. Goodman's shares closed 1 cent higher at A$1.33.

Nikki Tait, Sydney

Coles Myer sales up

Coles Myer, Australia's largest retailer and the recent focus of institutional concern over corporate governance standards, yesterday announced an 8.2 per cent increase in first-quarter sales, for the 13 weeks to October 29, to A$4.21bn.

The growth was particularly strong in the supermarkets division, which increased by 14.7 per cent over the first quarter of 1994-95, but there was a 2.2 per cent decline at the Myer Grace Bros department stores. The company does not give sales growth on a "same-store" basis, although it did say that comparable store sales for the supermarket division rose 12.4 per cent.

Nikki Tait

Indonesian popular capitalism a minority pursuit

Aiming the Telkom issue at an emerging middle class was a gamble, writes Manuela Saragosa

EQUITY OFFERING

Perched on plastic chairs at a makeshift collection point for Telkom share applications, an Indonesian family braves the Jakarta midday heat to discuss details of the domestic telecoms share offer.

Meanwhile, in the stuffy back rooms of the collection point – formerly air force headquarters – applications forms for Telkom's initial public offering are piled high on tables and chairs.

From here they are sent by selling agents to Citibank and Bank Dagang Nasional Indonesia, the two banks organising the collection points.

Previous international IPOs of state-owned Indonesian companies have focused on selling to the international investor, but this time the domestic investor is being given priority. Demand for the shares will therefore depend on the success of the publicity campaign.

The Jakarta collection point is one of nine dotted around the Indonesian archipelago in an unprecedented campaign to muster support among a public that has little knowledge or experience of investing in the country's stock market.

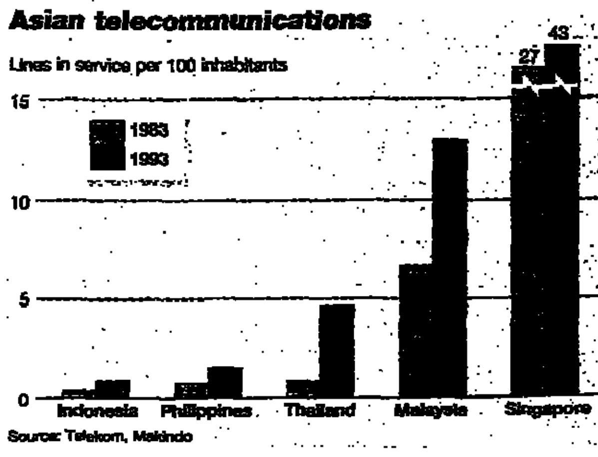
Over the past month, Indonesians have been bombarded with advertisements on television and in the national press explaining the what, where and how of buying Telkom shares, and a 24-hour Telkom IPO hotline has been set up to help potential investors.

Each of the collection points is a workshop on investing in the stock market, with staff explaining everything from the details of the Telkom offer to how the stock market works.

"Most of the questions are really basic," says an official from Bahana Securities, one of Telkom's domestic co-ordinators. "These are new investors. We have to make them understand that buying shares is not an automatic opportunity for capital gain."

Telkom is expected to raise between US$2.5bn and US$3.1bn when it lists 27.5 per cent of its enlarged share capital in London, New York and Indonesia later this month.

Asian telecommunications



Source: Telekom, Makindo

According to the prospectus, 1.16bn shares will be offered on the domestic market, which is equivalent to almost half of the combined offer. In all, about 2.5bn shares will be on offer.

Slightly more than half of the 1.16bn domestic shares are being offered for open subscription to the Indonesian public; the remainder will be placed with government institutions. But, if domestic demand warrants it, 238m shares can be clawed back from the international tranche.

The size of the domestic offer contrasts sharply with previous Indonesian privatisations. When Indosat, the satellite telecoms company, and Tambang Timah, the integrated tin mining company, listed 35 per cent of their enlarged share capital, less than one-third went to the domestic market. Some analysts believe Telkom's IPO may set a precedent.

To sweeten the offer, Indonesians are eligible for a 2.5 per cent discount on the shares and a one-for-10 bonus share redeemable after a year of holding the stock.

Only two days before the offer was due to close today, most of the 400 BDNI and Citibank employees staffing the Jakarta collection point looked busy, but there was no sign of a mad scramble.

The two ambulances dispatched to the site in case excitement got out of hand stood idly by and the first aid centre was deserted.

Part of the challenge for Telkom is to convince individual Indonesians to part with a minimum of Rp1.4m (US$630), in a country where average per capita annual income is about US$800.

The minimum lot on the domestic market is 500 shares and Telkom shares have been priced at Rp2,800 each. According to the Bahana Securities official, the majority of applications have been for between 500 and 1,500 shares.

Analysts say most buyers probably belong to Indonesia's emerging middle class. Defining this section of the population is problematic because data collection in Indonesia is patchy.

One much-quoted source is Survey Research Indonesia, a local research company, which suggests about 16 per cent of Indonesia's adult population in the main urban centres may already be in the "middle income" or "upper income status", with disposable income of more than Rp600,000 a month. Other broad put the number at between 7 per cent and 8 per cent of Indonesia's 190m people.

That would mean up to 13m Indonesians may be able to afford to buy Telkom shares. But in a country where 26m people live below the poverty line, the offer is too expensive for the vast majority. "I would really like to buy the shares, but where would I get the money from?" says one Jakarta resident. "I'm just a taxi driver."

Khazanah plans to sell 32% stake in Hicom

By Kieran Cooke in Kuala Lumpur

A change of ownership is under way at Hicom Holdings, one of Malaysia's biggest listed conglomerates which has functioned as the government's holding company for heavy industrial enterprises.

Under the terms of a complex deal now being finalised, Khazanah Holdings, the state investment company, will sell a 32 per cent stake in Hicom to Mega Consolidated, an unlisted concern.

Mega is ultimately controlled by Mr Yahaya Ahmad, a Malaysian millionaire who has being playing an increasingly prominent role in the country's fast-developing transportation sector.

The purchase price of the Hicom stake is believed to be in excess of M$1.8bn (US$708m). Company executives say the purchase will be financed by a loan arranged through Labuan, Malaysia's offshore financial centre.

Listed companies in the Hicom stable include Perusahaan Otomobil Nasional, the manufacturer of the Proton, Malaysia's national car. Hicom also controls Edaran Otomobil Nasional or Eon, a listed company which acts as distributor for the Proton. Eon controls a bank and a car finance company.

Mr Yahaya's main listed company is Diversified Resources. The company assembles a variant of the Proton model as well as imported utility vehicles and buses.

Units of Diversified Resources also run the city bus service in Kuala Lumpur, manufacture car parts, assemble military vehicles and run the country's privatised vehicle inspection agency.

In addition, Mr Yahaya has a controlling stake in the Modenas company, a recently formed joint venture with Kawasaki of Japan aimed at manufacturing motorcycles in Malaysia.

Hicom, which was partially privatised last year, made a pre-tax profit of M$314m in the year to March 1995.

Earlier this week Dr Mahathir Mohamad, the prime minister, called in Hicom's existing management to explain the change of ownership.

A government official described the move as a further step in the country's privatisation process.

It is expected that Mr Yahaya will eventually bring Hicom under the umbrella of his listed Diversified Resources group.

GMK takes legal action over 'Super Pit' deal

By Nikki Tait in Sydney

Gold Mines of Kalgoorlie, the listed goldminer in which Pos-Gold, the goldmining arm of the Normandy group, holds a stake, is taking legal action against Homestake Gold of Australia over GMK's rights to output from the "Super Pit" mine in Kalgoorlie, Western Australia.

Homestake, which is also listed in Australia, is controlled by Homestake Mining, the US-based goldminer. The Super Pit is Australia's largest gold mine.

GMK said that under an agreement between the two companies, it was entitled to more than 50 per cent of the gold production sourced for a specific area of the operation – an entitlement known as the disproportionate share arrangement.

The amount was to be determined by Kalgoorlie Consolidated Gold Mines, which manages the joint venture.

However, GMK claims that disagreements "concerning a number of aspects of the disproportionate share arrangement" have arisen, and cites the treatment of capital costs for a recent upgrade at the mine as one area of dispute.

"This has now resulted in a gold entitlement total of 8,924 ounces . . . not being made available to the company," it alleges. GMK later revised the figure to 5,028 ounces.

"In addition, the company believes that the determinations under the disproportionate share arrangement to date also understate its entitlement," it added.

GMK claimed that negotiations with Homestake had been unproductive, prompting it to serve a Supreme Court of Western Australia writ on its partner yesterday.

There was no immediate response from Homestake.

Taiwan chip stocks recover on back of TSMC advance

By Laura Tyson in Taipei

Prices of Taiwan semiconductor stocks recovered yesterday on the strength of third-quarter results from Taiwan Semiconductor Manufacturing, a bellwether for Taiwan's high-technology sector.

The stocks have been depressed by fears of overcapacity in the semiconductor industry. However one analyst described the concerns as "overdone".

TSMC, regarded as the world's leading chip foundry, started work yesterday on a new plant, part of an expansion programme that is expected to boost capacity by 30 per cent a year.

The company earlier posted increased net profits of T$10bn (US$370m) in the first nine months of this year on sales of T$20.1bn. In the same period last year net earnings were T$6bn on turnover of T$14.0bn.

The company forecasts full-year profits of T$13.3bn on sales of T$26.8bn and earnings up 20 per cent in 1996. TSMC shares rose T$1 to 82.50 yesterday.

However, securities analysts warned that political and economic concerns might keep electronics shares at low levels despite solid growth.

The local economy appears to be slowing and crucial elections in December and March have dampened investor sentiment generally.

"The fundamentals are still firmly in place but that doesn't necessarily translate into strong share price performance," said Mr Matt Cleary, an analyst at Peregrine Securities.

Chip prices had softened recently but consumer-driven demand would continue to fuel growth and sustain product prices in the industry until at least 1997, analysts maintained.

At current levels, many of Taiwan's integrated circuit makers are trading at only four to five times 1996 projected earnings. "Even though these companies have performed so strongly over the last year, valuations are still roughly half those of US chip companies," said Mr Nate Emerson, a dealer at HG Asia Securities Taiwan.

Analysts are forecasting 53 per cent earnings growth in 1996 for United Micro Electronics – whose shares rose 50 cents to T$66.50 yesterday. Meanwhile, Macronix, a maker of integrated circuits which went public in the first half of this year, has developed its own logic chips. It is also increasing production of flash memory, a product expected to be in rising demand.

HG Asia forecasts Macronix's profits will increase 90 per cent next year.

The recently-listed Mosel-Vitelic rose T$2.50 to T$88 yesterday. Mosel has done well by developing proprietary technology in niche products, especially high-performance D-Ram (dynamic random access memory) chips for specialised applications, such as graphics and CD-Roms.

Mr Cleary said that fears of a price collapse in integrated circuits were overdone. He predicted that while prices might come down in 1997 as more capacity came on stream, "it will be a soft landing, not a crash. It will be a more stable industry in the 1990s than it was in the 1980s."

Bombay Dyeing ahead sharply

By Shiraz Sidhva in New Delhi

The Bombay Dyeing and Manufacturing Company, one of India's leading textiles and petrochemicals groups, saw profits more than double in the first half.

Net profit rose to Rs1.03bn ($30.1m) for the six months ended September 1995, an increase of 133 per cent over last year's Rs440m. The latest half-year figure was also higher than the net profit of Rs980m for the entire year 1994-95.

Net sales increased by 60 per cent for the half year, from Rs4.53bn to Rs7.27bn.

Gross profits were up 95 per cent, from Rs728m to Rs1.41bn, while other income rose from Rs235m to Rs481m.

Bombay Dyeing's annualised earnings per share increased to Rs55.65, an increase of 85 per cent over last year's Rs30.03, on higher capital of Rs369.3m, compared with Rs326.6m.

The company said that a 29 per cent increase in the company's dimethyl terephthalate (DMT) production to 68,000 tonnes had contributed substantially to the improved results.

The group has doubled its annual DMT capacity to 120,000 tonnes, and is expected to increase production further to 160,000 tonnes by the end of the year.

An increased demand for this feedstock for polyester has improved the company's prospects.

It added that textile sales had grown by 15 per cent over the previous year in the face of prices which had more than doubled.

However, margins had been squeezed because of the high price of cotton and other raw materials.

Cotton prices are expected to fall after a better crop this year, and this should help the company, which is best known for its bed-linen and home furnishings.

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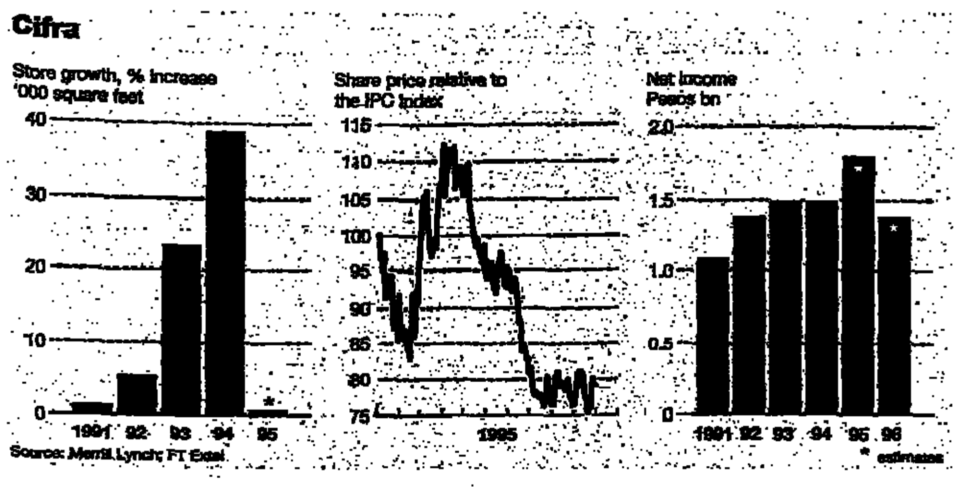
Cifra ready for strong response to a retail recovery

Cifra, Mexico's fourth-biggest listed company, thought 1995 would be a boom year. So in 1994, the company, which runs supermarkets, cafeterias and department stores, expanded floor space by 39 per cent and its workforce by 17 per cent. It opened 64 new stores, almost all through a joint venture with Wal-Mart of the US begun three years earlier.

When Mexico's retail sector went into deep recession around April this year, sales at existing stores fell by almost a quarter. Cifra has also cut its workforce, although it did not release figures.

New stores which had not yet established a firm clientele suffered badly. Warehouse stores, full of imported non-food items, reported a 40 per cent decline in sales. VIPS, Cifra's restaurant chain, saw the average value of transactions fall.



Source: Merrill Lynch; FT Extel

Cifra's net sales for the third quarter fell 20 per cent to 4.2bn pesos ($588m) from a year earlier.

The rate of decline in the company's sales for the first nine months of 1995 was almost half as much again as the fall registered by Comercial Mexicana, one of its main rivals, which has a higher proportion of essential food items.

However, cost-cutting measures kept the fall in net income for the quarter, at 210m pesos, to 9 per cent.

"The crisis was a tremendous blow. Any operating profit is very hard to maintain when sales drop by 20 to 40 per cent," says Mr Henry Davis, Cifra's chief executive. "I guess we all believed back in 1994 that this economy was going to grow at four, five per cent a year. We all know it can grow that much."

However, he believes Cifra will be strongly positioned when the economy recovers.

The company has a loyal customer base in its upmarket Superama stores, where sales have fallen less than in its other chains.

The 119 Wal-Mart stores in Mexico, half of which were built last year, provide a strong challenge, given Wal-Mart's premium name and expertise in maximising sales.

Among Cifra's rivals, only Grupo Gigante has a similar joint venture with a big international retailer, a much less developed partnership with Carrefour of France.

Cifra's other great advantage comes from its financial position. The company holds 1.5bn pesos in cash and temporary investments, and has no debt.

"While it is certainly not what they teach you at business school, Cifra's financial policy has paid off," said Ms Marla Marron, an analyst at Salomon.

"The company doesn't have to worry about foreign exchange losses or sky-rocketing interest rates. They can withstand slicing their margins."

Mr Davis does not expect a significant upturn in the sector until the second quarter next year, but with about 60 projects that can be developed very quickly, he is confident Cifra will be able to respond when the recovery finally does come.

"We're in a position to take advantage of an upturn," he said. "We have the infrastructure, the sales. This is a fast-moving business but we can expand as rapidly as the market needs."

Daniel Dombey

Shell Oil swept by sea of change

Group aims to improve its return on capital, writes **Robert Corzine**

Shell Oil, the US subsidiary of the Royal Dutch Shell group, is to expand co-operative ventures with other companies as part of its drive to improve its return on capital.

The company last month signed an agreement with Amoco, the Chicago-based oil group, to pool their onshore oil assets in west Texas in order to cut operating costs. Other co-operative ventures being considered would cover downstream activities, such as the distribution of refined products.

Executives say distribution has remained largely unchanged for decades, in spite of the success of new transportation techniques, such as "just-in-time" deliveries, in other industrial sectors.

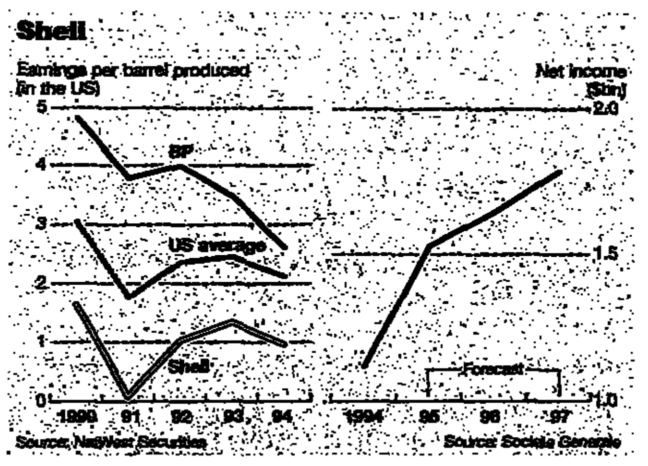
Shell Oil is also keen to unlock the equity it holds in large tracts of freehold property in California. The property portfolio includes prime commercial sites in southern California, including the La Brea district of central Los Angeles.

Shell Oil declines to speculate on the eventual value of the property holdings. But it says the company will consider taking part in a "risk-sharing joint ventures" to develop the best sites.

The restructuring of operations at Shell Oil is seen as a possible model for the rest of the group, which is slowly implementing a plan to streamline its old national management structure.

Shell Oil says the recent deal with Amoco is one way in which it can implement the guidance from Mr Cor Herkströter, the group president in The Hague, to be "both big and small at the same time".

The aim is that the new unit will operate more like an independent oil company than the subsidiary of an oil major. It will, however, remain part of the "Shell family", able to draw on the resources and expertise of the parent companies.



Source: NatWest Securities; Source: Societe Generale

Such co-operative arrangements are seen as essential if the company is to boost its return on capital employed. Some analysts have estimated it at just over 7 per cent for 1995, a level well below the company's target of 12 per cent, which is also the current average for leading US and UK oil groups.

Shell Oil is the sixth largest US oil company by sales, which last year totalled $21.6bn. With assets of $26.3bn, it accounts for about a quarter of the group's capital.

Its performance will be a big factor in determining whether Shell as a whole can improve its worldwide rate of return over the next few years. The need to do so is one of the factors behind the current reorganisation of the non-US parts of the company.

Last month's deal with Amoco is seen as one way in which operating costs can be reduced in Shell's oil and gas production units. Onshore operating costs are $6 a barrel, according to a recent study by NatWest Securities.

In the last four years, operating costs have fallen 28 per cent, but the decline, as the report notes, was from the highest base in the US industry.

Offshore operating costs, however, average just $2 a barrel. An important element of Shell's strategy is to emphasise production from its lower cost offshore assets over the next few years.

The company has a commanding position in the deep water areas of the Gulf of Mexico, where it has made relatively large oil and gas discoveries. The company has 600 exploration blocks. That is 30 per cent of the deep water leases issued so far by the federal government.

Auger, which, at 872 metres, is the deepest such platform in the Gulf of Mexico, illustrates the importance the company places in its deep water assets. Since it began producing last year, the field has performed well beyond the company's expectations.

"Some wells at Auger are producing 13,000 barrels a day," says Mr Rich Pattarozzi, head of the company's deep water division. "In the late 1980s, we thought 3,500 barrels was the maximum."

Operating costs at Auger are 61 cents a barrel, although costs over the life of the field will be higher. Mr Pattarozzi is confident that deep water fields will account for more than half of Shell Oil's total production once fields under development are completed in the next few years.

Auger: Mexican platform has performed above expectations

Although Shell has financial partners in a number of deep water projects, it is one area in which it does not appear ready to reduce its direct role.

The desire to retain its own deep water expertise may be linked to the growing importance to the Shell group of deep water developments elsewhere in the world.

Shell Oil's most ambitious co-operative venture so far is with Pemex, the Mexican state oil company. The two companies have invested £1bn ($1.6bn) in upgrading part of Shell's Deep Park refinery near Houston to process large volumes of heavy Maya crude from Mexico.

The profitability of the joint venture has been undermined by the worst refining margins in more than 20 years. However, Shell views the long-term relationship with Pemex in more strategic terms. "Sometimes you do things not for the money," said one executive recently. "Our aim is for Shell to be Mexico's foreign partner of choice in energy."

Cordis rejects bid by Johnson & Johnson

Johnson & Johnson, the New Jersey-based healthcare group, yesterday said it would ask Cordis shareholders to replace the company's board of directors after Cordis rejected Johnson & Johnson's $1.7bn takeover offer, agencies report from Miami and New Brunswick.

Directors at Cordis, the US maker of cardiology equipment, unanimously voted to reject unsolicited acquisition proposals by Johnson & Johnson to buy its shares at $100 a share in cash, or through a stock-for-stock merger at $105 a share.

It said the board believed that significant value would be created for stockholders through the current strategic plan by an independent Cordis. The board has authorised the management and the company's advisers to explore all strategic alternatives.

Johnson & Johnson said it continued to believe that its $105 a share stock swap price was "full and fair". It did not refer to its alternative $100 cash offer, launched a month ago. It said the actions Cordis had taken, including "adopting a clearly invalid poison pill and amending its by-laws", were merely attempts to delay a takeover "and delay is not in the best interests of Cordis shareholders".

Johnson & Johnson has challenged in the courts an arrangement adopted by Cordis, known as a "dead hand" pill. Under this provision, which the company had revealed in a regulatory filing, only Cordis' current directors have the power to amend its anti-takeover defences, even if they are removed from office.

Under a bylaw adopted by the Cordis board on October 24, the board is required to be advised before any consent solicitations, after which the board will adopt a record date for the solicitations.

Johnson & Johnson said Cordis still had not set a date to determine shareholders entitled to vote through written consents, which it said should have been done within 10 days of the request on October 24. Once this date was set, Johnson & Johnson said it would approach shareholders for consent to remove the board.

St Jude Medical has refused to comment on speculation that it might bid for Cordis.

AMERICAS NEWS DIGEST

Rockwell reports strong fourth term

Rockwell International, the US aerospace group, reported fourth-quarter earnings per share of 88 cents, a 17 per cent increase over the 75 cents in 1994's fourth quarter. Net income rose from $165m to $189m.

"Our excellent fourth-quarter results mark the eleventh consecutive quarter in which Rockwell has achieved double-digit earnings per share growth," said Mr Donald Beall, chairman and chief executive officer. Rockwell also announced an increase in its quarterly common stock dividend from 27 cents to 29 cents a share.

"For the year, commercial and international sales were up 30 per cent from last year and now comprise 72 per cent of total sales, compared with 65 per cent in 1994," Mr Beall said. "This change in the composition of Rockwell is even more dramatic compared with 10 years ago, when commercial and international sales accounted for only 39 per cent of total sales."

Cash flow from operations continued to be a strong point, rising 22 per cent to $1.1bn for the year. *Reuter, California*

Cigna takes $774m charge

Cigna, the US insurance company which has angered some of its competitors with a plan to put its asbestos and environmental liabilities into a separate company, took a third-quarter charge of $774m after tax against those liabilities. On Monday, three rival insurance companies complained to insurance regulators that Cigna's move could leave a company unable to meet its liabilities, requiring the industry and policyholders to pick up the bill.

In October, Cigna predicted the charge would be about $750m. Cigna took further cost-cutting charges of $75m against its property and casualty, and its employee life and health benefits businesses.

Before the charges, third-quarter results showed a recovery in the property and casualty division, from an operating loss of $45m to a profit of $66m. Group net income rose from $151m to $283m before the charges, or from $2.08 to $3.88 a share. *Maggie Urry, New York*

Venezuelan paint group slips

Corimon, the Venezuelan paint company with interests in packaging and processed foods, announced second-quarter net income of Bs826m ($3m), a 23 per cent fall on the comparative period. For the first six months, net income moved from a loss of Bs2.98bn to a profit of Bs964m.

Second-quarter sales rose 45 per cent to Bs18.5bn, partly because of the purchase in May of a majority stake in the US company Standard Brands Paint. About 45 per cent of sales now come from outside Venezuela. Net earnings per share for the first half were Bs0.93, compared with a loss per share of Bs2.96 previously.

Mr Philippe Erard, chairman, said recession in Venezuela, Argentina and Mexico had affected the group's performance, but added, "each of our subsidiary's operations are demonstrating positive progress". *Clare Gascoigne*

Ex-Wellcome staff set up group

Seven former top staff at Wellcome, which earlier this year was taken over by Glaxo to form the world's biggest drugs group, have set up a drugs company in the US. Triangle Pharmaceuticals will be headed by Mr David Barry, Wellcome's former group director of research and development. Six other former Wellcome staff have joined Triangle, which is seeking to develop drugs for serious viral diseases and cancer. *Reuter, London*

GKN agrees £77m deals with Dana

By Christopher Price

GKN, the automotive components and defence engineering company, yesterday sold its axles business to Dana Corporation for £58m ($92m) and bought stakes in three South American automotive groups from the US group for £19m.

Dana has paid £44m in cash and repaid a further £14m of debt for the axle division. It also assumed £15m of debt.

The business, which manufactures both light and heavy axles from plants in the UK and Italy, made pre-tax profits of £6m on sales of £116m last year. *Net assets* after deducting group and external debt were £18m at December 31 1995.

Mr Trevor Bonner, managing director of GKN Automotive and Agritechnical Products, said the disposal and associated investments were in line with the company's long-term strategy.

"This was a good opportunity for us to sell the niche axles business at an excellent price and at the same time to strengthen our automotive driveline presence in the important South American region. For both GKN and Dana these moves make good strategic sense."

The balance of the two deals, after goodwill and costs of disposal, would be an £8m credit for GKN in its 1995 accounts.

The three South American companies are involved in the manufacture and supply of constant velocity joints and driveshafts.

In Brazil, the purchase of a 9 per cent stake from Dana will increase GKN's holding in ATH-Albarus Transmissões Homocinéticas to 49 per cent. A similar deal will increase its holding in Danargen Argentina to the same. It is also purchasing 49 per cent of a Colombian automotive company.

Savoy sells Lancaster Hotel in Paris for £9.6m

The Savoy group of hotels has finally sold the Lancaster Hotel in Paris which has been on the market since the beginning of last year. The buyers are a group of investors led by Mr Stephane Andrieu who is married to Mrs Grace Andrieu, the president of GLA International, which will manage the hotel.

The hotel, acquired by the Savoy in 1970, has been sold for £9.6m ($15m), well below the original £11m asking price.

Whitbread achieves 9% rise to £156m

By Scheherazade Daneshkhu, *Leisure Industries* Correspondent

Whitbread, the brewing and leisure group, yesterday reported a 9 per cent rise in interim pre-tax profits, fuelled by a strong performance from its managed pubs, restaurants and leisure divisions.

However, its beer operations reported a profits increase of just 1.5 per cent, and the company *attributed lower margins* to "intense competition" in the take-home market and the cost of importing lager to meet high summer demand.

Whitbread said sales of its bottled Stella Artois premium beer were so high during the summer that it ran out of bot*tles and beer. It spent a net* £1.5m importing Stella from Belgium and contracting out its bottle supplies.

Pre-tax *profits* in the six months to August 26 rose from £143.1m to £155.7m ($246m).

Whitbread moved further away from its brewing origins *in August and September* with the acquisition of 16 Marriott hotels in the UK, David Lloyd Leisure, the tennis and health *club business and CB Costa* Bros Coffee, owners of the Costa Coffee shop franchises.

Sir Michael Angus, chairman, said Whitbread was alert to further acquisition opportunities.

It is expected to take a keen interest in Carlsberg-Tetley if Allied Domecq tries to sell its 50 per cent stake.

Property clouds part, but only briefly

Despite a modest rally, it is too soon to call the turn on the sector, says **Simon London**

MEPC's £190m acquisition of the North American Property Unit Trust this week brought some relief from the gloom and *despondency which has settled* over property shares.

UK property values are falling, rents are static and the normal autumn flurry of deals has steadfastly failed to materialise. Property shares, which have been in decline relative to the wider stock market for nearly two years, have continued to fall behind.

After a dismal October, the sector has lost virtually all the *gains won in the aftermath of* sterling's exit from the European exchange rate mechanism in 1992. The discount to net assets at which property shares trade has widened to about 20 per cent, close to its long-run average.

Despite this week's modest *rally sparked by MEPC's acqui*sition and shift of strategy, fund managers and analysts warn that it could still be too early to call the turn.

"Property shares are now getting down to more sensible levels. But they may have to fall further before they look distinctively cheap," says Mr Chris Turner, manager of TR Property Investment Trust.

Many investment banks continue to recommend that their *clients remain underweight* in property shares.

The big question facing the market is whether property *values will recover or continue* to fall in 1996. The answer depends on what happens to rents and commercial property yields.

Rents show little sign of rising even though the economy has been growing strongly for three years. Monthly figures from the Investment Property Databank show that rents stopped falling a year ago but have been static ever since.

One reason is that the supply of properties increased rapidly in the 1980s and is only now being absorbed. Moreover, potential tenants are improving the efficiency of their operations, which reduces the amount of space they occupy.

"In 1993 we travelled hope*fully and expected rental* growth in 1994. Then 1994 was disappointing and we hoped for better things to come this year. With the economy now slowing, you have to wonder whether rental growth will come through in 1996," says Mr Turner.

Even if rents remain static, it is possible for property values to rise. But only if buyers are prepared accept a lower yield. This could happen if the outlook for rental growth suddenly improves – which seems unlikely – or if interest rates decline in the economy as a whole.

This is precisely what happened in 1992 and 1993 following the devaluation of sterling. Long-dated gilt yields fell from 9.5 per cent to 6.3 per cent. Property yields fell in sympathy, driving property values and property shares higher.

As yet there is no sign of a repeat performance. Long gilt yields have been stuck at about 8 per cent this year, apart from a flurry of excitement in the spring when gilts rallied strongly and dragged property shares out of the doldrums.

The danger for property shares is that yields might actually be too low and that values will have to fall further *to reflect* the limited prospects for rental growth.

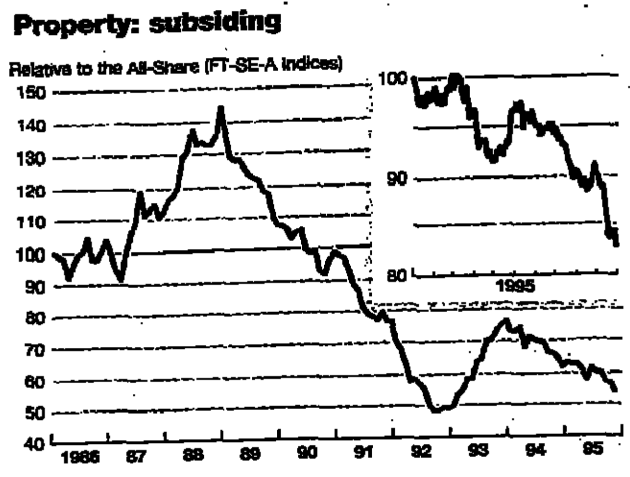
If this assessment is right, property values will have to fall before equilibrium is reached between what buyers are willing to pay and sellers are willing to accept. The discount to net assets at which property shares now trade may not be as generous as it looks.

Not everyone agrees with this gloomy assessment. Although their growth forecasts have been cut, property analysts at S.B.C. Warburg still expect rents to rise by 5 per cent and capital values by 7 per cent in 1996.

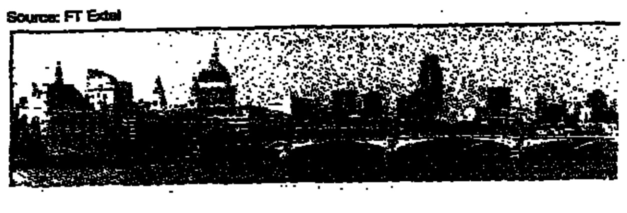
But with the outlook for the property market so clouded, it will be difficult for property shares to outperform for long.

The main comfort for shareholders is that the dividends being paid by many large prop*erty companies are generous*, which means that the shares themselves offer an attractive yield.

Property: subsiding



Source: FT Extel



Tighter cost controls help BET advance by 13%

BET reported a 13 per cent increase to £65.1m ($103m) in interim profits as the business services group continued its recovery from the after-effects of poorly conceived and costly acquisitions in the late 1980s, writes Patrick Harverson.

Profits growth was derived from tighter cost controls and improved marketing, rather *than increased* prices. However, the growing emphasis on specialisation in business services and outsourcing should allow it to push through higher prices in the future.

Mr John Clark, the US-born chief executive hired in 1991 to rescue the debt-laden group, said BET would continue to dispose of poor-performing units and make acquisitions of higher-margin businesses to improve overall profitability.

Vero hopes for £19m from float

Shares in Vero will be priced at between 200p and 220p when the maker of racks and *enclosures for the electronics* industry comes to the market later this month, writes Christopher Price.

Its market capitalisation at the mid-price of 210p would be £127.3m ($201m). About £45m would be raised, of which Vero would receive a net £19.4m. The remainder would be used to satisfy Vero's investors, including venture capitalists, who backed the £33m buy-out 18 months ago from BICC.

Dunedin chief reassures US clients in Chicago

By James Buxton, Scottish Correspondent

The acting chairman and chief executive of Dunedin Fund Managers, the Edinburgh *investment management* company whose chairman and chief executive resigned this week, flew to Chicago yesterday to reassure US fund management clients about the future of the company.

Mr Eric Sanderson, chief executive of British Linen Bank, Dunedin's controlling shareholder and part of the Bank of Scotland group, became acting chairman and chief executive after Mr Hamish Leslie Melville and Mr Alan Kemp resigned.

Nearly 40 per cent of the £5bn Dunedin has under management is for US clients including corporate pension funds, foundations and mutual funds.

The resignations were the result of a clash of management styles at Scotland's second largest fund manager which had already led three executives to quit. An adviser to the company said much of the friction stemmed from the "autocratic style" of Mr Leslie Melville, who became chairman in 1992 after a successful career in the City.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BET	6 mths to Sep 30 ■	950.5	(863.8)	65.1	(57.7)	5.3	(4.5)	1.4	Jan 8	1.2	-	4
Betterware	28 wks to Sep 9	31.7	(31.7)	4.08	(3.97)	2.6	(2.5)	0.85	Jan 3	0.85	-	2.6
Channel Comms Φ	6 mths to Sept 30	4.51	(4.45)	0.649	(0.5)	3.84	(2.89)	1.25⁑	Jan 27	1	-	-
Dana Petroleum ♣	6 mths to June 30	-	(-)	0.554L	(0.006L)	-	(-)	-	-	-	-	-
High-Point	Yr to May 31	41.8	(43.2)	1.7♠L	(0.442L)	38.7L	(11.5L)	nil	-	0.5	0.5	0.5
Sainsbury (J)	28 wks to Sep 24	7,049	(6,346)	451	(444.3)	16.74	(16.35)	3.4	Jan 17	3.2	-	11.7
Tamaris	6 mths to Sep 30	4.36	(1.88)	0.61♥	(0.12)	0.14†	(0.05)	0.214	Dec 5	nil	-	nil
Whitbread	6 mths to Aug 26	1,327	(1,223)	158.1	(183.6♥)	24.16	(30.09)	5.75	Jan 22	5.35	-	20.2
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Assets	Yr to Sep 30	114.57	(102.02)	15.5	(16.1)	4.8‡	(4.2)	1.27§§	-	1.11	4.555	4.38
City of Oxford	6 mths to Sep 30	28.7	(30.1)	0.9	(0.86)	2.8	(2.71)	1.3✝	-	1.2	-	5.2
MCIT	6 mths to Sep 30	316.8	(306.7♦)	1.65	(1.12)	10.97	(7.33)	9	Dec 14	7	-	15
MCIT 'S'	6 mths to Sep 30	31.1	(29.2♦)	1.12	(-)	1.72	(-)	1.55	Dec 14	-	-	-

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. ΦAim stock. ⁑Dividend gross. ■ Comparatives restated. ✝Second interim, making 2.6p to date. ♦At March 31 1995. §§Fourth quarterly dividend. ‡On reduced capital.

In the pursuit of a private life

Neil Buckley and Philip Coggan on the Roddicks' Body Shop plans

Richard Branson, Andrew Lloyd Webber, Alan Sugar, and Anita and Gordon Roddick: the roll-call of 1980s entrepreneurs who floated companies on the stock market then thought better of it is growing year by year.

Mr Branson, the bearded, balloon-piloting entrepreneur, floated his Virgin group in 1986, then bought it back in 1988. Mr Lloyd Webber, the composer behind hit musicals such as *Cats* and *Phantom of the Opera*, bought back his *Really Useful Theatre Group in* 1990, four years after floating.

Now the Roddicks' Body Shop, the cosmetics group whose entrepreneurial flair and "green" products and image made it one of the most successful retail flotations of the 1980s, is in discussions with banks over turning itself into a charitable trust.

Such a move would free the Roddicks to run the business in their own, idiosyncratic way. Rather than paying out millions of pounds in dividends to shareholders, they could use more of their profits to invest in the business and support environmental and humanitarian causes. This latest attempt to re-privatise a quoted company raises questions about whether flotation serves the best interests of entrepreneurial businesses, or stifles the ini*tiative and spontaneity that* allowed them to develop in the first place.

"When, as with Body Shop, you once had a majority of a company, but now whenever you want to do something you have to spend an inordinate amount of time explaining it to *shareholders, you can imagine* getting a bit fed up," says Mr Rod Whitehead, retail analyst at SBC Warburg.

The motive for the Roddicks' proposed move is probably not financial. A buy-back could value the company at more than £340m, compared with the flotation value of £5m in 1984, requiring heavy borrowing by the Roddicks. They would hand over their own 24 per *cent stake to the proposed* charitable trust.

The reason behind the idea is a long-standing dissatisfaction with, and mistrust of, the City. Over the past five years, the feeling has become mutual.

Ms Roddick, founder and chief executive, has famously referred to bankers as "pin-striped dinosaurs", and admits "finance bores the pants off me". Her husband Gordon, the chairman, is a shy man who, while admired by some City observers for his acumen, does not enjoy giving presentations.

Body Shop was an archetypal "cottage" industry, founded by Anita Roddick in Brighton in 1976 while her husband was fulfilling his ambition to ride on horseback across South America. It retained its close-knit, family ethos even after it was floated a decade ago and began its expansion into 45 countries, partly by franchising outlets *rather than managing them* itself. "We ran the company in a very informal way, as if we were all one big extended family. The first managers' meeting was held in the front room of my mum's house and she cooked lasagne for everyone," Ms Roddick writes in her auto*biography*.

Ms Roddick admits she did not fully appreciate the implications of flotation, although her husband spent two years "understanding the nuances". But, she says, "We were both enamoured with the notion of seeing how far we could push the Body Shop idea".

Since flotation, however, Body Shop has faced increasing pressure from institutional *investors to adopt a more* "conventional" structure and business approach. It has belatedly acceded to that pressure, appointing a managing director, three new directors, and two non-executive directors.

But the uneasy relationship between the Roddicks and the City has been made frostier by several setbacks in the 1990s, which provoked sharp criticism in the financial world and knocked its share price back to less than half its peak level.

Analysts suggested yesterday, however, that Body Shop *had discovered* what several similar companies found before it: that the stock market views unconventional entrepreneurs rather like parents confronted by a prospective son-in-law with a skinhead haircut and tattoos. They may be accepted for a while but, at the first hint of trouble, the market throws up its hands and says: "We told you so."

The result is often a share price that languishes well below what the entrepreneur feels is the true worth of the company. It is hardly surprising some are tempted to buy back control.

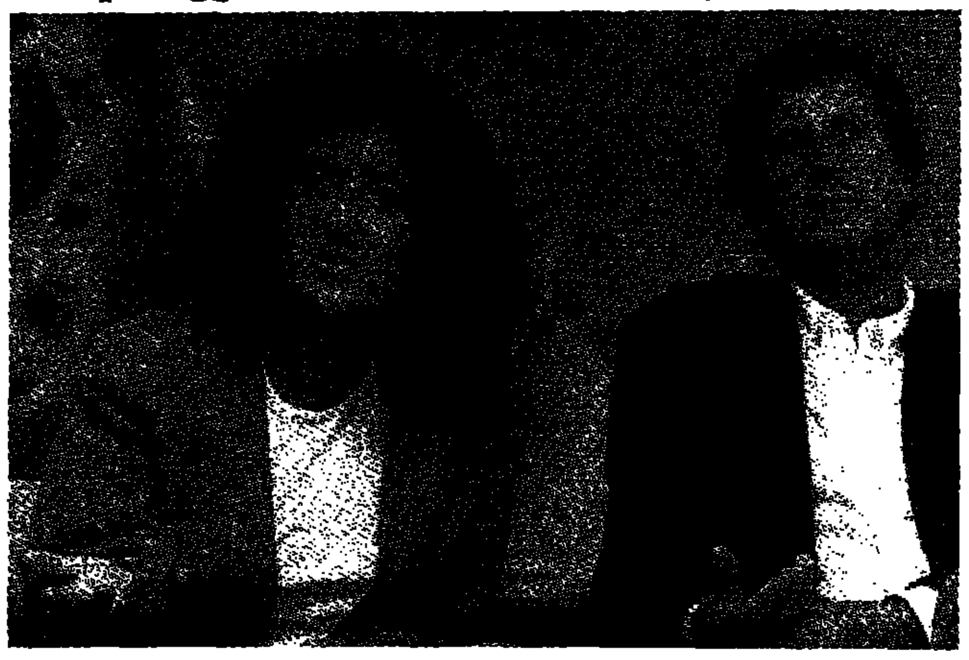
An early example was Mr (later Sir) James Goldsmith, who took Cavenham *Foods* private in 1977 via a bid from his French master company Générale Occidentale. The shares had suffered from the 1973-74 bear market and investors disliked his wheeling and dealing. His successful offer was worth only a little more than the then net asset value.

A stock market shift – the crash of October 1987 – also blighted the quoted career of *Mr Branson's* Virgin group. But the buyback of Virgin also reflected Mr Branson's frustration that his desire to make *decisions in the long term* interest of the business often conflicted with investors' wish for short-term profits and share price performance.

It is perhaps inevitable that entrepreneurs who have built up companies on the strength of their own personality and *judgment* resent the second-guessing and detailed questioning beloved by analysts and institutional investors.

Both Mr Branson and Mr Lloyd Webber, rather than their shareholders, had the last laugh. Mr Lloyd Webber floated his group for £36m in 1986, bought it back for £77.5m in 1990 and then sold 30 per cent to Polygram, the record company, for £78m a year later. *Mr Branson floated* Virgin for £242m at 140p a share and bought it back for the same share price, and then sold the music division to Thorn EMI for £510m.

In the short term, the reward for the Roddicks may not be so lucrative. But freedom from the "pinstriped dinosaurs" may be a big enough incentive.


Ashley Ashwood

Getting a firmer grip: Anita and Gordon Roddick, attempting to escape the pinstriped dinosaurs

هكذا من الأصل

COMMODITIES AND AGRICULTURE

MARKET REPORT

Catalyst news hits prices of platinum group metals

News that a new motor exhaust catalyst would not initially use PLATINUM-group metals sent the price of the white precious metal to its lowest level since March 6 yesterday. At London's afternoon fixing it was set at $405.50 a troy ounce, down $4.50 on the day.

An official of Engelhard Corporation said the first version of its PremAir catalyst, due in 1998, would only remove ozone from the air and would not use platinum group metals. Future formulations would include platinum or other PGMs.

Last April, an announcement by Engelhard that the PremAir device would absorb pollutants in the air, as well as in emmissions, sent platinum soaring to around $462an ounce.

Other members of the precious metals complex felt only a modest fallout from the platinum liquidation. The GOLD price eased 45 cents to $382.25 an ounce.

Compiled from Reuters

CRA's Queensland lead-zinc project clears native title hurdle

By Nikki Tait in Sydney

Plans by CRA, the Australian mining group, to develop a A$750m (US$570m) zinc-lead mine in northern Queensland, took a step forward yesterday when the federal court in Melbourne upheld a judgment by Australia's Native Title Tribunal that native title claims to some of the land involved had been extinguished by earlier grants of pastoral leases.

Local aboriginal groups, through the North Ganalanga Aboriginal Corporation, had put forward a claim for native title over about 247 hectares of land, encompassing the proposed mine site.

The issue of whether grants of pastoral leases – often made many years ago – extinguished native title was one of the areas left unclear when federal parliament passed Australia's landmark native title legislation in late-1993. In this case, Justice Robert French, president of the new National Native Title Tribunal, which was set up to handle native title claims, had upheld a registrar's ruling that no prima facie case existed for the land claim.

However, the case was refered to the federal court, and yesterday the full bench also upheld Justice French's decision, by a two to one majority. The dissenting opinion, by Justice Donald Lee, argued that pastoral leases created by the crown in the 18th and early-19th centuries, were meant to be enjoyed alongside indigenous title.

The aboriginal groups could still apply for leave to lodge an appeal with the High Court, and CRA said that – aside from any appeal – there were some further hurdles that the Century project needed overcome before the go-ahead could be given, including the issuing of mining lease by the Queensland government. It added, however, that it hoped to have all matters resolved by the end of the year.

UK calls for radical EU rice reform

By Deborah Hargreaves

The UK government is pressing for more radical reform of the European Union's rice regime than that proposed by the European Commission, Mr Tony Baldry, fisheries minister, told the House of Commons European standing committee yesterday.

The commission has proposed a cut in the intervention price for rice of 15 per cent but Mr Baldry said that was the very minimum the government would accept. "There is scope for a much bigger cut. Prices could be reduced by 35 per cent without threatening the producers' viability," he said.

In addition, compensation for loss of income to farmers affected by the price cut, in the form of area aid payments, should not be total or permanent, Mr Baldry said. "We are pressing for partial and degressive payments."

He said the UK was likely to come up against opposition from the EU's main rice growers: Italy (which produces 61 per cent of the EU total), France, Spain, Portugal and Greece. Those countries regarded the commission's proposals as draconian, he said.

Britain consumes 250,000 tonnes of rice a year and uses 25 per cent of the EU's harvest of japonica rice in the manufacture of breakfast cereals. The EU is being forced to liberalise its rice trade with third countries as a result of the General Agreement on Tariffs and Trade deal.

"The commission's proposals go some way towards reforming the rice regime, but the approach is too cautious and likely to prove inadequate in the long term," Mr Baldry said.

World-Watch president warns of food scarcity

Lester Brown believes agriculture has reached the limit of fertiliser use, writes Laurie Morse

The world is facing politically destabilising food price increases as global grain stocks approach their lowest level in recent history and demand, from a richer and ever-growing world population, increases, says Mr Lester Brown, president of the Washington-based World-Watch Group.

Mr Brown and World-Watch have been addressing food and environmental issues for more than two decades. In an article on food scarcity in the current issue of the group's magazine, the World-Watch president writes that agriculture has reached the limits of fertiliser use, and that ever-increasing applications of fertiliser can no longer be relied upon to produce food surpluses.

"The old formula of combining additional fertiliser with high yield varieties to expand steadily world food output is no longer working," he says, "and the availability of water to sustain agriculture is also diminishing."

He worries that growth in world grain production has stalled, and that yields from global fisheries are on decline, contributing to rising prices for both grain and protein sources like fish and beef.

Noting that rising food prices will hurt the world's poorest people, Mr Brown predicts a new global politics based on food scarcity, rather than surplus.

"Instead of a few exporting countries competing for markets that were never quite large enough, more than a hundred importing countries will compete for supplies that never seem adequate," he says. "Already, 1995 has witnessed the steepest rise in prices of wheat, rice, and corn [maize] seen in many years."

Although wholesale food prices are up and grain stocks are down, more mainstream agricultural economists do not share Mr Brown's assessment that the world is running short of food. "Real grain prices have been falling about 3 per cent per year since 1980 and are about 25 per cent lower now in real terms. After you've made something cheap over a long period of time, you would expect demand to go up and production to go down," says Mr D. Gale Johnson, a University of Chicago economist. Rising prices were making grain cultivation profitable again, Mr Johnson said, and agricultural experts expected governments to eliminate land idling requirements that had artificially constrained production in the US and the European Union. Not only would more land go into production next year, said Mr Johnson, but "yields will continue to increase as technology improves".

Although Europe's grain mountains were gone, thanks largely to the politics of the Gatt, and US stocks would be drawn down this year because weather trimmed the grain harvests, there was still plenty of grain in the world, said Mr Johnson. "China has more grain stocks than the rest of the world put together," he said, "Chinese farmers hold about 400m tons of grain, though you have to look at state statistics to find it."

Mr Robert Wisner, professor of economics and a grain marketing specialist at Iowa State University, said that governments, rather than farmers, would have the biggest influence on rebuilding world grain stocks. "So much hinges on farm policies in the US and abroad," he said.

In the US, for example, more than 36m acres had been idled under a land conservation scheme, and new farm legislation being considered in Washington could bring about one third of the richest farmland enrolled in that scheme back into production. "Markets have a way of stimulating production," Wisner said.

He agreed with Mr Brown, however, that government policies had whittled away the world's "cushion" of grain surpluses, and for that reason, episodes of grain scarcity could become more frequent, and grain prices on average worldwide would be higher than in the past decade. At the same time that food prices were rising, budget allocations for food aid were being trimmed in the US and in other developed countries.

One large untapped area of potential food production that Mr Brown did not address, said Mr Wisner, was eastern Europe and the former Soviet Union. Farming techniques were decades behind it that region, and "over the next ten to 15 years there is a huge potential for food production there".

Rebuilding the world's fisheries, the economists agreed, would be more difficult, because it required global intergovernmental regulation that would take years to accomplish. "Fisheries present a complex management issue," says Mr Brown. "Some things are best handled with regulation, and this is a matter of establishing and enforcing country [fishing] quotas."

'The old formula of combining additional fertiliser with high yield varieties to expand steadily world food output is no longer working'

LCE merger decision expected soon

By Deborah Hargreaves

The London Commodity Exchange will decide by the end of this month whether to press ahead with merger talks with other London Exchanges or to pursue an alliance with New York's Coffee, Sugar and Cocoa Exchange.

Mr Robin Woodhead, the LCE chief executive, said the exchange was likely to decide on one of the merger options. There are dangers that the LCE could miss out on opportunities for expansion unless it has access to greater resources.

The exchange is looking to position itself as a centre for trading agricultural and soft commodity contracts with a view to a future liberalisation of the European Union farm market. As part of this ambition, Mr Woodhead has signed a letter of intent with the Chicago Board of Trade to trade some of its agricultural futures contacts and to develop new European products for trading on both markets.

The exchange board will review the CBoT agreement in January when it will decide whether to go ahead with the joint venture. "We want to be able to create new volume on the contracts we trade, not just switch volume from Chicago," Mr Woodhead said.

The exchange is pursuing separate discussions with the London International Financial Futures Exchange and the International Petroleum Exchange on a possible merger. The London exchanges already have a joint clearing house and the practicalities of a merger would be easier to sort out than an alliance with New York.

However, Mr Michael Jenkins, LCE chairman, said it would be extremely difficult to join the three exchanges together in one go. It was likely to take until the middle of next year to sort out the details of a merger and could take much longer than that to unite the exchanges on a joint trading floor.

Mr Woodhead said the exchange must consider how best to secure the long-term future of its existing contracts and look at increasing opportunities for members as well as helping them to reduce their cost base.

'Taxation threatening Thai diamond progress'

Taxation is threatening plans to develop Bangkok, which is emerging as one of the world's principal diamond-cutting centres, into an international hub for the diamond trade, an industry leader said yesterday, reports Reuters from Bangkok.

Unless Thai diamond trading was exempted from the 7 per cent value-added tax, China – supported by a huge emerging local market – could thwart Thai attempts to develop a world diamond trade centre, said Mr Chirakitti Tang, head of the Thai Diamond Manufacturers Association.

"We are building up a very strong industry in diamonds but to have a strong industry you need to have strong trading support," Mr Chirakitti said.

"There is a good chance Thailand could be one of the most important diamond-trading centres in the world. Antwerp is now the world diamond-trading centre; we could become the second Antwerp in this part of the world," he said.

From a cottage gem-cutting industry less than two decades ago, Thailand's diamond manufacturing sector has flourished in recent years, largely thanks to the quality of its cutting and rising labour costs in other centres.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1686-7	1702-3
Previous	1848.5-9.5	1886-7
High/low		1707/1689
AM Official	1859-60	1895-8
Kerb close		1705-8
Open Int.	227,747	
Total daily turnover	66,706	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1400-10	1445-50
Previous	1385-95	1430-8
High/low		1455/1440
AM Official	1390-2	1434-6
Kerb close		1450-60
Open Int.	2,964	
Total daily turnover	657	

■ LEAD ($ per tonne)

Close	703-5	695-6
Previous	691-3	683.5-4.0
High/low	698/695	698/686
AM Official	697-8	689-9.5
Kerb close		697-8
Open Int.	33,181	
Total daily turnover	6,628	

■ NICKEL ($ per tonne)

Close	8815-25	8920-30
Previous	8660-70	8780-85
High/low	8730/8720	8970/8820
AM Official	8725-30	8875-85
Kerb close		8930-40
Open Int.	43,572	
Total daily turnover	13,951	

■ TIN ($ per tonne)

Close	6555-65	6555-60
Previous	6400-10	6430-40
High/low	6555/6510	6560/6500
AM Official	6510-20	6520-25
Kerb close		6500-10
Open Int.	18,637	
Total daily turnover	6,268	

■ ZINC, special high grade ($ per tonne)

Close	1037-38	1058-9
Previous	1003-4	1026-7
High/low	1027	1059/1037
AM Official	1026-7	1047-8
Kerb close		1056-7
Open Int.	81,192	
Total daily turnover	6,268	

■ COPPER, grade A ($ per tonne)

Close	2945-50	2745-7
Previous	2828-33	2705-6
High/low	2960/2875	2750/2690
AM Official	2876-80	2722-3
Kerb close		2744-5
Open Int.	183,618	
Total daily turnover	108,058	

■ LME AM Official £/$ rate: 1.5795

LME Closing £/$ rate: 1.5781

Spot: 1.5782 3 mths: 1.5754 6 mths: 1.5718 9 mths: 1.5679

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Nov	132.65	+3.95	132.70	130.00	182	1,473
Dec	128.85	+4.10	129.00	124.60	5,373	21,495
Jan	127.15	+3.80	124.40	124.40	35	692
Feb	125.55	+3.65	122.50	122.50	13	482
Mar	123.65	+3.00	123.90	120.85	1,266	6,906
Apr	122.40	+2.95	-	-	15	181
Total					7,470	38,522

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.00-382.50		
Opening	382.65-383.15		
Morning fix	382.50	242.257	434.329
Afternoon fix	381.95	241.894	435.423
Day's High	382.75-383.25		
Day's Low	381.60-382.10		
Previous close	382.50-383.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.81	6 months	3.60
2 months	3.53	12 months	3.68
3 months	3.55		

Silver Fix	p/troy oz.	US cts equiv.
Spot	337.60	533.25
3 months	342.30	539.60
6 months	348.80	545.65
1 year	356.50	558.25

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	249-251
Maple Leaf	392.75-395.25	
New Sovereign	87-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Nov	382.5	-0.5	-	-	-	-
Dec	383.8	-0.5	384.3	383.5	13,805	105,508
Feb	385.8	-0.5	386.2	385.5	634	26,416
Apr	388.2	-0.5	388.5	388.0	679	9,835
Jun	390.7	-0.6	391.1	390.9	285	11,061
Aug	393.2	-0.8	394.1	394.1	1	3,008
Total					16,200	192,942

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	408.5	-2.1	409.1	404.5	1,234	19,988
Apr	408.3	-2.3	409.0	406.0	128	2,177
Jul	408.8	-2.3	409.0	408.9	53	1,693
Oct	409.0	-2.3	411.0	411.0	1	133
Jan	410.0	-2.3	-	-	1	5
Total					1,417	23,998

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	137.95	-1.45	139.00	137.50	1,066	4,473
Mar	138.10	-1.55	140.00	138.00	111	1,632
Jun	140.45	-1.55	-	-	-	125
Total					1,177	6,230

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	531.7	-4.3	537.0	531.0	6,986	61,880
Jan	533.4	-4.3	538.0	539.0	1	45
Mar	538.8	-4.3	544.0	539.0	431	15,717
May	542.9	-4.4	546.5	543.0	10	7,500
Jul	547.0	-4.5	548.5	548.0	22	6,303
Sep	551.3	-4.6	556.5	556.0	125	7,510
Total					7,494	166,092

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Dec	17.54	-0.10	17.73	17.51	35,203	86,675
Jan	17.32	-0.08	17.46	17.28	18,076	55,470
Feb	17.19	-0.07	17.30	17.15	6,453	26,473
Mar	17.09	-0.09	17.20	17.06	735	17,535
Apr	17.05	-0.07	17.13	17.05	452	12,852
May	17.07	+0.01	17.07	17.07	183	7,750
Total					65,524	315,914

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open Int
Dec	16.22	-0.11	16.38	16.22	12,427	47,260
Jan	16.04	-0.08	16.17	16.04	7,968	51,619
Feb	15.93	-0.07	16.03	15.93	1,245	13,365
Mar	15.82	-0.08	15.89	15.82	227	13,029
Apr	15.77	-0.04	15.84	15.77	2,296	4,534
May	13.75	-	15.75	15.74	14	1,557
Total					23,796	144,929

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

■ GSCI Spot (Base: 1970=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open Int
Dec	68.450	+0.100	68.600	68.200	5,805	30,941
Feb	67.625	+0.075	67.800	67.500	2,298	16,064
Apr	67.375	-0.175	67.675	67.350	1,586	10,222
Jun	63.550	-0.075	63.800	63.525	689	4,711
Aug	61.950	-0.100	62.150	61.925	193	1,939
Oct	62.900	-0.150	63.025	62.900	17	585
Total					10,610	64,501

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	42.450	-1.250	43.450	42.250	4,542	12,662
Feb	45.625	-0.900	46.450	45.475	1,531	6,002
Apr	45.800	-0.775	46.450	45.650	401	3,018
Jun	51.475	-0.475	51.750	51.200	295	3,174
Jul	51.400	-0.350	51.650	51.200	208	1,400
Aug	50.500	-0.450	50.600	50.200	125	693
Total					7,147	29,370

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	59.275	-2.000	60.300	59.275	1,001	5,708
Mar	59.250	-2.000	60.400	59.250	51	717
May	59.800	-2.000	61.250	59.800	9	230
Jul	61.600	-2.000	62.500	61.600	14	565
Aug	58.700	-2.000	59.900	58.700	1	61
Total					1,076	7,281

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1750	20	62	82	99
1700	37	84	50	72
1650	64	111	27	50
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2850	44	48	98	168
2800	65	64	69	135
2750	92	84	46	106
■ COFFEE LCE	Jan	Mar	Jan	Mar
1650	634	576	1	15
1700	585	531	2	20
1750	538	-	3	-
■ COCOA LCE	Dec	Mar	Dec	Mar
875	45	86	4	17
900	27	69	71	25
925	14	54	23	35
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1550	75	78	1	13
1600	38	47	14	23
1650	12	28	34	42

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.38-5.48z	-0.155
Brent Blend (dated)	$16.47-6.49	-0.08
Brent Blend (Dec)	$16.25-6.27	-0.10
W.T.I. (1pm est)	$17.56-7.58z	+0.03

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$183-184	+2.5
Gas Oil	$154-155	-1
Heavy Fuel Oil	$85-87	-0.5
Naphtha	$154-156	
Jet fuel	$175-177	-1
Diesel	$159-160	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

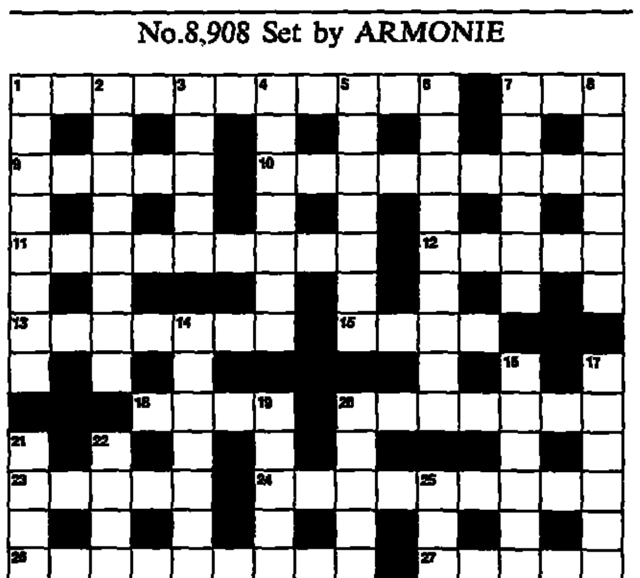
Gold (per troy oz)♣	$382.25	-0.45
Silver (per troy oz)♣	534.5c	-2.0
Platinum (per troy oz.)	$405.50	-4.50
Palladium (per troy oz.)	$136.25	-0.25
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	16.24m	+0.51
Tin (New York)	310.5c	+1.0
Cattle (live weight)†	124.82p	-0.03*
Sheep (live weight)†♠	106.00p	+3.25*
Pigs (live weight)†	98.24p	+2.41*
Lon. day sugar (raw)	$307.10	+0.20
Lon. day sugar (wte)	$379.00	+1.00
Barley (Eng. feed)	£117.5	+1.0
Maize (US No3 Yellow)	£105.0w	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	99.50p	
Rubber (Dec)♥	99.50p	
Rubber (KL RSS No1)	378.0m	
Coconut Oil (Phil)§	$735.0u	
Palm Oil (Malay.)§	$815.0	-6.0
Copra (Phil)§	472.0y	
Soyabeans (US)	193.0	
Cotton Outlook'A' index	89.65c	
Wooltops (64s Super)	458p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Nov/Dec. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,908 Set by ARMONIE



ACROSS

1 The boy's got heart; he's in advertising (11)
7 Pen friend? (3)
9 Cut top off finger and it glows red hot (5)
10 It comes to a point where dole is repeated over and over (9)
11 Food science ICI tested rigorously (9)
12 Have a desire to tell tales about the east (5)
13 An accidental certainty? (7)
15 Clever one to catch out (4)
18 It's used to beat a young animal in the middle of culling (4)
20 God inspired a rector (7)
23 Public sector workers give up Sunday league (5)
24 Plant making weapon takes a lot of money (9)
26 Shoot back a charged particle. It's within established practice (9)
27 I'm overtly modest but quietly vulgar (5)
28 A drink of port (3)
29 To ditch campaign they spread scandalous stories (6,5)

DOWN

1, 21 Routine employment (5-3-6)
2 The script bore endless title, oddly enough (8)
3 Discover chromium in rockfall (5)
4 Endorse a letter of introduction? (7)
5 Overturn issue of strengthening member for ship (7)
6 Quack remedy Ada got off the shelf (5-4)
7 Caught short leg say, with a kiss, at a decisive moment (6)
8, 17 Graduate's forebear childishly squanders a cooked sweet (6,8)
14 Becoming less severe in gentler fashion (9)
16 The manner and inherent ability to get a model for a penny (8)
17 See 8
19 Fish is tiptop for this musician (7)
20 Prefers to be in church to carry out absolution (6)
21 See 1 down
22 Plagiarist's to talk incessantly about one (6)
25 Theology lessons conceited young man's to tear to shreds (3,2)

Solution 8,907

VICTIM IMITATES
J H N A A H E
CROUCH SICKJOKE
T P A O L E R T
OPPOSITE CRUNCH
R Y E T T O E
SASH MONOLOGUES
E U M U T N
CHAINGANGS ABEL
A V N H T E I
SCORED BEARINGS
T B R D N A D T
OVERSEES ACTIVE
F S E A E N N
FIELDING ADAGES

INTERNATIONAL CAPITAL MARKETS

Treasuries rise on weak economic data

By Lisa Bransten in New York and Richard Lapper in London

More signs of weakness in the manufacturing sector sent US Treasury bonds higher in early trading yesterday.

Near midday, the benchmark 30-year bond was ⅞ higher at 108¼ to yield 6.264 per cent. At the short end of the maturity spectrum, the two-year note was up $\frac{1}{32}$ at 100$\frac{1}{32}$, to yield 5.491 per cent.

Bonds were mostly flat in early trading but they began climbing after the National *Association of Purchasing* Management put its index of manufacturing activity for October at 46.8 per cent, marking the third consecutive monthly decline in that indicator. Most economists had predicted an increase in activity to 50 per cent.

The index of leading economic indicators for September also slipped, falling 0.1 per cent when economists expected a 0.5 per cent increase.

The Federal Reserve's beige book – a report on the state of the economy prepared for Fed governors in advance of Open Market Committee meetings – also pointed toward a slowing economy. Yesterday's report *said that the economy* continued to expand in September and October, but more slowly than in the summer.

The market paid little attention to figures showing September construction spending gained 1.2 per cent, stronger than the 0.5 per cent economists expected.

Bonds also benefited from a stronger dollar. *In early* trading the US currency moved higher against the yen and the *D-Mark, changing hands* at Y103.03 and DM1.4130 compared with Y102.06 and *DM1.4082 late on Tuesday.*

■ Canadian bond prices failed to advance *following* their outperformance earlier this week after the narrow victory of the federalist camp in Monday's referendum.

Yields on 10-year bonds rose and the yield spread over 10-year US Treasuries widened marginally to 162 basis points in the late afternoon in London.

Mr Kirit Shah, international bond strategist at First Chicago, expects the paper to trade in a new range of between 145 and 175 basis points over Treasuries in the near-term.

■ *Positive sentiment* generated by the rise in US Treasuries spread to Europe, with the strength of the dollar giving an extra fillip to high-yielding markets.

With the French, Italian and Spanish markets all closed for the All Saints' holiday, the effect of the rally was amplified by thin trading volumes.

■ German bonds did well despite the easing of the *D-Mark against* the dollar. The market also shrugged off disappointment over a smaller than expected cut of one basis point cut in the Bundesbank's securities repurchase rate, to 4.02 per cent. Many analysts had been expecting a reduction of two basis points.

Bunds were helped by the buoyancy of the Treasury market, with the December 10-year bund future on Liffe breaching its previous contract high of 96.89 to close at 96.92, up 0.29. In the cash market there were reports of heavy buying of five-year paper by a domestic German institution.

GOVERNMENT BONDS

■ *The UK gilts market was initially* supported by UK Purchasing Managers' Index figures, which confirmed a picture of rising manufacturing output and declining producer price pressure.

In the afternoon, the good performance by both the US and German markets spurred a sharp rise in prices, with the *long gilt future closing at 107$\frac{5}{32}$*, up nearly half a point. In the cash market gilts out-performed bunds, with the 10-year yield spread falling by two basis points to 165 points.

■ Italian bond prices soared in thin volume on Liffe, largely reflecting the strength of the lira and supported by the dollar's rally. The 10-year bond future closed at 103.25, up more than a point. Analysts said underlying uncertainties about next year's budget and continuing political worries would undermine the prospects for further growth, however.

■ Scandinavian bond markets were boosted by receding inflation expectations in Sweden and an unexpected cut in the Finnish one-month tender rate, the benchmark for the country's market interest rates.

Swedish bonds rallied following the early-morning publication of the Riksbank's latest inflation survey, with the yield spread over German bunds narrowing by six basis points to close at 271 points.

Mr David Brown, economist at Bear Stearns International, expects the yield spread to narrow to 225 basis points within *the next three to six months.*

"Investors should retain overweight Swedish bond exposures on a medium-term basis as we believe this market will be in the vanguard of European high-yielder performance into early 1996," he said.

The cut in short-term rates by the Bank of Finland from 5.5 per cent to 5 per cent helped the Finnish market, with yields on the nine-year benchmark – the 9.5 per cent due March 2004 – falling by 8 basis points to 7.77 per cent. The yield spread over 10-year bunds narrowed by four basis points to 138 points.

Mr Brown said the inflation outlook means "there is scope for more Finnish spread compression to Germany, even though the spread has crashed dramatically over the last year, down from the August 1994 peak of 425 basis points".

NZ bonds top league table for October

By Antonia Sharpe

New Zealand's government bond market was the top performer in October, with a local *currency* return of 3.27 per cent, according to monthly data compiled by J.P. Morgan.

Positive news *on inflation*, which is expected to fall to 1.5 per cent by March from 2 per cent *currently*, encouraged investors to move out of short-term instruments into bonds to pick up yield.

In addition, the larger-than-expected rise in inflation in Australia and a pick-up in US growth induced a move from US and Australian bond markets into New Zealand, J.P. Morgan said.

As a result, Australia was the poorest performer in October, with a monthly local currency return of minus 0.29 per cent.

Canada's bond market showed a return of 1.7 per cent after a month of investor apprehension caused by the Quebec referendum.

Having been almost flat on October 27, shortly before the poll, the market rallied following news of a 'no' vote. Bond yields declined by 18 basis *points in the 10-year area of* the yield curve and by 36 points in the two-year area.

Italy was the poorest performer in Europe, due to political tension and fears that the budget would not be ratified by the year-end, but it still returned 1.18 per cent.

The strength of the krona, due to the improving trade balance and expectations that the currency would join the European exchange rate mechanism, led Swedish bonds to be the top performer in dollar terms, returning 5.85 per cent.

Japan's bond market was the poorest performer in dollar terms, with a return of minus 3.78 per cent.

CBOT brings in all-night trading

By Laurie Morse in Chicago

The Chicago Board of Trade's US Treasury bond *and note* futures and options contracts will be traded electronically through the night starting this evening, when the exchange launches the second phase of Project A, its computerised market.

The CBOT's financial futures and options contracts are currently listed on Project A *screens for* two hours each afternoon, between the close of regular day-time pit trading and the *evening open-outcry* session.

The expansion will allow global *trading of the Treasury* instruments, 30-day Federal funds futures and municipal bond futures and options from 10:30pm to 6am local time.

This will be the first time the CBOT's financial markets will be open almost around-the-clock since the exchange withdrew from Globex, the Reuters-owned screen-based futures market, more than a year ago.

There are 89 Project A terminals in operation. Most of them are in Chicago, with a few in New York.

Demand for round-the-clock trading in what are viewed as primarily domestic instruments has been slim, but exchange officials believe it is important to keep futures markets open and available for trade, particularly in times of financial crisis.

Mr Patrick Arbor, CBOT chairman, said: "In a world where late-breaking news can have significant impact on the world's financial markets, it is crucial for our members, member firms and customers to have convenient and easy access to our ... contracts. The increasingly global economy has fostered an environment where it is imperative to stay ahead of developments impacting the markets, even if those *events occur* in the late afternoon or evening hours."

The CBOT has promised to reduce *screen-trading hours* in favour of open-outcry trading when its partnership with Liffe goes into effect in the first quarter of next year. CBOT bond futures will be traded on Liffe when the CBOT is closed, while Liffe bund futures will be traded in Chicago outside London business hours.

Demand for Aegon perpetual allows increase in size

By Conner Middelmann

Among the three issues which emerged in yesterday's torpid dealings, a Fl 300m offering of perpetual, subordinated bonds for Aegon, the Dutch insurer, attracted much interest.

INTERNATIONAL BONDS

At the re-offer price of par, the bonds, which are callable every 10 years at par, yielded *122 basis points over the* 10-year Dutch State Loan and 61 basis points over the 30-year *DSL*.

The deal is structured in such a way that if Aegon for some reason did not pay a dividend, it would not pay interest on its bonds; once dividend payments resumed, it would pay the accrued interest in arrears.

The issue met with such demand that it was increased from its initial Fl 250m issue size, lead manager ABN Amro Hoare Govett said. The bonds *performed strongly on their* first day, with the spread narrowing sharply to 113 basis *points.*

Elsewhere, Canon Sales issued SFr450m of bonds with equity warrants via SBC Warburg – the largest such issue for a considerable time. *"Recent deals have been in the* SFr50m to SFr150m range," one dealer said.

After a prolonged lull in issuance, the Japanese equity warrant sector has recently seen a *pick-up in activity which is set* to continue in the coming weeks, dealers say.

Brazil's Banco Safra issued $100m of eight-year bonds with put and call options after two and five years. *The bonds were* placed mainly with retail investors, lead manager Lehman Brothers said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Banco Safra(a)	100	9.50#	99.725R	Nov.2003	0.875R	+395(5⅝%-97)	Lehman Brothers Intl.
SWISS FRANCS							
Canon Sales Co.(b)★φ	450	0.625	100.00	Nov.1999	1.625	-	SBC Warburg
GUILDERS							
Aegon(c)	300	7.75	100.00R	Undated	0.75R	+61(7½%-23)	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. φWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable and puttable on 10/11/97 at 99.75% and on 10/11/00 at 99.87%. b) Fixing: 7/11/95. c) Callable every 10 yrs at par. Interest payments conditional on dividend payments. Cumulative and subordinate debt.

Mol indicates issue price

By Antonia Sharpe

The indicative price range on the global *share offering* of Mol, Hungary's national oil and gas company, *is* Ft1,100–1,450 ($8.50–$11) a share.

The Hungarian government is selling 24.6m shares, or about 25 per cent of the company's share capital, to foreign investors in the largest equity offering in the region to date.

The state currently owns about 88 per cent of the company with the rest of the *shares traded over-the-counter* in Hungary. Yesterday they were trading at about Ft1,850.

The *shares on offer* to foreign investors will be global depositary shares, which are *equal to Mol's ordinary shares.* Kleinwort Benson, Lazard and Merrill Lynch are joint global co-ordinators.

Mol has applied to have the GDSs listed on the Budapest and Luxembourg exchanges. They will also be quoted on Seaq International in London.

The book-building process will start on Monday. Following the global offering there will be a domestic offering of a minimum of 2.95m shares, or 3 per cent of the company, via Creditanstalt.

The domestic offering will *start on December 4.*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	91.9800	–0.180	8.74	8.67	8.62
Austria		6.875	06/05	0.0000	-	0.00	6.94	6.92
Belgium		6.500	03/05	0.0000	–	0.00	7.02	7.14
Canada *		8.750	12/05	108.2500	–	7.56	7.87	7.93
Denmark		7.000	12/04	95.1000	+0.300	7.77	7.85	8.01
France	BTAN	7.750	04/00	0.0000	–	0.00	6.84	6.82
	OAT	7.750	10/05	0.0000	–	0.00	7.44	7.51
Germany Bund		6.500	10/05	100.7500	+0.300	6.39	6.46	6.57
Ireland		6.250	10/04	89.3000	+0.400	7.96	8.13	8.20
Italy		10.500	04/05	0.0000	–	0.00†	11.91	11.46
Japan	No 129	6.400	03/00	119.8880	+0.120	1.54	1.58	1.61
	No 174	4.600	09/04	113.1460	–0.040	2.76	2.87	2.65
Netherlands		7.000	06/05	103.8200	+0.240	6.45	6.53	6.62
Portugal		11.875	02/05	0.0000	–	0.00	11.25	11.28
Spain		10.150	01/06	0.0000	–	0.00	10.91	11.01
Sweden		6.000	02/05	81.1020	+0.530	9.10	9.17	9.85
UK Gilts		8.000	12/00	102-24	+5/32	7.34	7.49	7.54
		8.500	12/05	104-06	+10/32	7.89	8.04	7.99
		9.000	10/08	107-26	+13/32	8.02	8.16	8.06
US Treasury *		6.500	08/05	104-01	+22/32	5.95	5.99	6.25
		6.875	08/25	108-03	+33/32	6.27	6.32	6.59
ECU (French Govt)		7.500	04/05	0.0000	-	0.00	7.68	7.79

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	5.28	Two year	5.51
Prime rate	8¾	Two month	5.47	Three year	5.59
Broker loan rate	7½	Three month	5.48	Five year	5.72
Fed funds	5$\frac{13}{16}$	Six month	5.49	10-year	5.95
Fed funds at intervention	·	One year	5.47	30-year	6.27

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 Oct 31

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	116.82	116.90	-	117.00	116.70	81,962	113,206
Mar	116.16	116.24	-	116.26	116.10	1,297	8,153
Jun	116.72	116.40	-	116.72	115.92	426	2,171

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Oct 31)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
114	-	2.75	-	0.08	0.65	-
115	1.92	-	-	0.16	-	1.30
116	1.17	1.48	-	0.33	-	-
117	0.54	0.97	1.50	0.69	1.77	-
118	0.20	0.65	-	1.35	-	-

Est. vol. total, Calls 11,170 Puts 13,007. Previous day's open int., Calls 132,193 Puts 135,029.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.65	96.92	+0.29	96.97	96.57	82262	200122
Mar	96.00	96.32	+0.29	96.32	95.99	1874	6785

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9650	0.70	0.62	0.84	1.00	0.28	0.80	1.02	1.18
9700	0.42	0.43	0.62	0.78	0.50	1.11	1.30	1.46
9750	0.23	0.27	0.45	0.59	0.81	1.45	1.63	1.77

Est. vol. total, Calls 21926 Puts 9567. Previous day's open int., Calls 173837 Puts 156530

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.25	103.25	+1.11	103.40	101.55	25744	46608
Mar		102.66	+1.08			0	887

■ *ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%*

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10300	1.08	2.13	0.63	2.27
10350	0.83	1.90	1.08	2.54
10400	0.62	1.69	1.37	2.83

Est. vol. total, Calls 1610 Puts 1852. Previous day's open int., Calls 47157 Puts 47251

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Oct 31

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.63	89.04	+0.45	89.13	88.63	37,963	32,444
Mar	–	88.65	–	–	–	–	189

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	106-26	107-05	+0-11	107-09	106-21	45639	105503
Mar		106-19	+0-11			0	795

■ *LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%*

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
107	0-54	0-63	1-22	1-41	0-44	1-25	1-48	2-03
108	0-26	0-38	0-60	1-13	1-16	2-00	2-22	2-39
109	0-11	0-21	0-41	0-55	2-01	2-47	3-03	3-17

Est. vol. total, Calls 3940 Puts 1712. Previous day's open int., Calls 34177 Puts 30710

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 Oct 31

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.22	87.32	-	87.34	87.18	2,237	9,324

US

■ *US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%*

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	116-30	117-20	+0-18	117-20	116-21	305,854	388,184
Mar	116-25	117-08	+0-17	117-08	116-11	2,466	30,553
Jun	116-22	116-22	-	116-22	116-22	1,418	5,010

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.89			122.03	121.80	3920	0
Mar	120.57			120.68	120.50	1561	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 1	Day's change %	Tue Oct 31	Accrued interest	xd adj. ytd		Low coupon yield Nov 1	Low Oct 31	Low Yr. ago	Medium coupon yield Nov 1	Medium Oct 31	Medium Yr. ago	High coupon yield Nov 1	High Oct 31	High Yr. ago
1 Up to 5 years (22)	121.36	+0.10	121.24	1.42	9.72	5 yrs	7.45	7.49	8.70	7.46	7.50	8.72	7.55	7.59	8.90
2 5-15 years (21)	145.53	+0.30	145.09	1.20	11.23	15 yrs	8.03	8.08	8.60	8.07	8.13	8.74	8.16	8.21	8.97
3 Over 15 years (9)	161.53	+0.58	160.63	1.59	11.90	20 yrs	8.09	8.13	8.55	8.12	8.17	8.74	8.20	8.25	8.85
4 Irredeemables (6)	182.18	+0.56	181.16	0.06	13.47	Irred.†	8.21	8.26	8.61						
5 All stocks (58)	141.14	+0.29	140.73	1.35	10.91										

Index-linked	Wed Nov 1	Day's change %	Tue Oct 31	Accrued interest	xd adj. ytd		Inflation 5% Nov 1	Inflation 5% Oct 31	Inflation 5% Yr. ago	Inflation 10% Nov 1	Inflation 10% Oct 31	Inflation 10% Yr. ago
6 Up to 5 years (1)	193.42	+0.04	193.34	0.15	8.37	Up to 5 yrs	3.23	3.23	4.06	2.10	2.11	2.91
7 Over 5 years (11)	185.82	+0.11	185.61	0.87	4.45	Over 5 yrs	3.68	3.68	3.89	3.48	3.48	3.70
8 All stocks (12)	185.86	+0.11	185.66	0.85	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26	Yr ago	High*	Low*
Govt. Secs. (UK)	93.69	93.47	93.33	93.07	93.35	90.89	95.51	90.22
Fixed interest	112.07	111.66	111.51	111.60	111.64	107.58	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 31	Oct 30	Oct 27	Oct 26	Oct 25
Gilt Edged bargains	87.5	92.5	80.3	98.4	117.0
5-day average	95.1	95.6	97.5	97.1	94.0

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.78	6.49	101$\frac{5}{8}$	----	108⅞	101$\frac{5}{8}$
15¼pc 1996‡‡		14.61	6.42	104¼xd	----	108⅞	104¼
Exch 13¼pc 1996‡‡		12.79	6.42	103$\frac{5}{8}$xd	----	107¼	103$\frac{5}{8}$
Conversion 10pc 1996		9.65	6.41	103$\frac{19}{32}$xd	----	104$\frac{15}{32}$	103$\frac{1}{2}$
Treas 13¼pc 1997‡‡		12.29	6.52	107$\frac{13}{16}$	+$\frac{1}{16}$	109$\frac{13}{16}$	107$\frac{13}{16}$
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Treas 12½pc 2003-5		9.84	7.90	127xd	+$\frac{11}{16}$	128$\frac{11}{16}$	119$\frac{15}{16}$
Treas 8½pc 2005‡‡		8.16	7.89	104$\frac{1}{8}$xd	+⅞	105$\frac{13}{16}$	97⅞
7½pc 2006‡‡		7.72	7.89	97¼xd	+$\frac{11}{16}$	97¼	94$\frac{9}{16}$
7¾pc 2006‡‡		7.88	7.96	98$\frac{13}{32}$	+$\frac{7}{32}$	98$\frac{13}{32}$	92¼
8pc 2002-6‡‡		7.96	7.93	100$\frac{15}{32}$	+$\frac{7}{32}$	101$\frac{1}{8}$	93¼
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	1995 High	1995 Low
2pc '96	(67.9)	0.35	3.28	213⅝	+$\frac{1}{8}$	213⅝	201$\frac{1}{16}$
4⅝pc '98‡‡	(135.6)	2.70	3.23	111$\frac{13}{16}$	+$\frac{1}{32}$	112$\frac{1}{8}$	106$\frac{1}{8}$
2½pc '01	(78.3)	3.14	3.62	176$\frac{1}{16}$	——	177$\frac{11}{16}$	165$\frac{15}{16}$
2½pc '03	(78.8)	3.27	3.65	172¼xd	——	173⅝	161$\frac{13}{16}$
4⅛pc '04‡‡	(135.6)	3.28	3.63	114$\frac{1}{8}$	——	115$\frac{13}{16}$	108$\frac{1}{8}$
[illegible]							

FT/ISMA INTERNATIONAL BOND SERVICE

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CURRENCIES AND MONEY

MARKETS REPORT

Dollar climbs as data lifts US Treasuries

By Graham Bowley

The dollar rallied on the foreign exchanges yesterday despite signs of a slowdown in US economic growth.

An unexpected drop in the National Association of Purchasing Management's index of manufacturing activity last month appeared to increase the likelihood of a cut in US interest rates.

But the dollar shrugged off the data, pushing to a six-week high against the yen and strengthening against the D-mark.

Analysts said a sharp rise in the US Treasury bond market, which reacted positively to the fall in the NAPM index, was one of the main reasons for the dollar's strength.

But they said trading was dominated mainly by technical factors and, with most European markets closed for holidays, trading volumes were thin, which exaggerated price movements.

Analysts said that the dollar was also underpinned by options-related trade as dealers bought the currency to meet their option calls.

Some also pointed to lingering concerns over the health of the Japanese banking sector as a reason for the yen's poor performance. The yen was weak across the board, particularly versus sterling, the Swiss franc and the D-mark.

Mr Brian Marber, an independent foreign exchange consultant, thinks that the current rally in the dollar is likely to continue. He said the dollar could rise by 25 per cent from current levels to around DM1.69 within 10 months.

The dollar closed in London at Y103.0250, compared with Y102.2450. Against the D-mark, it finished at DM1.4164, from the previous close of DM1.4083.

■ The dollar's rise against the D-mark helped other European currencies make some gains against the German currency.

The Bundesbank allowed its short-term "repo" rate to fall by 1 basis point to 4.02 per cent, but this had little impact on the D-Mark.

The French franc was buoyed by growing confidence in the French authorities' willingness to achieve significant cuts in the French budget deficit, analysts said.

Mr Malcolm Barr, international economist at Chemical Bank, said that the French franc was likely to strengthen in the near-term as more details of spending cuts emerged. But he said that in the longer term it would be undermined by the weakness of the French economy.

The Swedish krona strengthened against the D-mark as optimism about the strength of the Swedish economy and about the country's favourable inflation outlook continued to grow.

Against the D-Mark, the franc finished higher at FFr3.470, from FFr3.475 at the previous close. The Swedish krona finished at SKr4.674, from SKr4.716.

■ Sterling benefitted from the stronger dollar. It was also supported by signs of weaker price pressures in the manufacturing sector after the UK purchasing managers index showed that manufacturers' input prices increased last month at the slowest rate for almost two years.

"The pound gained on the back of the feeling that interest rates are not about to be cut and yet inflationary pressures are easing," said Mr Ian Harnett, UK group chief economist at Societe Generale.

The pound ended higher against the D-Mark at DM2.2358 from DM2.2221. Against the dollar, it finished at $1.5785, from $1.5779. The sterling trade-weighted exchange rate index closed at 84.2, up from 84.0.

■ The Canadian dollar weakened slightly in the aftermath of the referendum vote on Quebec's independence. It finished in London at C$1.3463 against the US dollar, compared with the previous close of C$1.345.

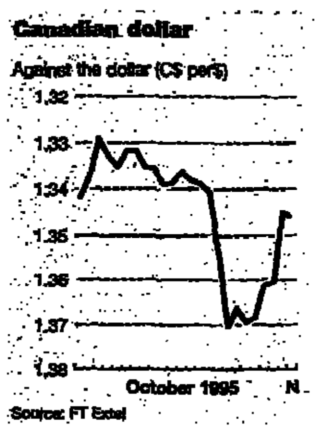
The focus of attention in the currency markets is now tomorrow's US non-farm payroll figures, which are expected to show fewer jobs created in October. Some economists however see little room for the Federal Reserve to cut interest rates after the strong growth seen in the third quarter of this year.

The Bundesbank council holds its regular monetary policy meeting today but few economists expect a cut in interest rates to follow.

■ The Bank of England provided £815m assistance towards clearing a forecast money market shortage of around £950m.

Canadian dollar

Against the dollar (C$ per $)



Source: FT Extel

■ Pound in New York

Nov 1	Latest	Prev. close
£ spot	1.5785	1.5810
1 mth	1.5784	1.5799
3 mth	1.5764	1.5780
1 yr	1.5845	1.5574

■ OTHER CURRENCIES

Nov 1	£	$
Czech Rp	41.4304 - 41.4803	26.2550 - 26.2700
Hungary	208.059 - 208.270	131.850 - 131.900
Iran	4737.00 - 4734.00	3000.00 - 3000.00
Kuwait	0.4737 - 0.4742	0.3002 - 0.3003
Poland	3.8693 - 3.8749	2.4520 - 2.4540
Russia	7132.35 - 7129.40	4517.00 - 4518.00
U.A.E.	5.7950 - 5.7990	3.6724 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Nov 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7341	+0.0968	240 - 441	15.7460	15.6524	15.7037	2.3	15.6451	2.3	-	-	106.8
Belgium	(BFr)	45.9699	+0.2487	277 - 121	46.0130	45.7380	45.8749	2.5	45.6849	2.5	44.9499	2.2	109.6
Denmark	(DKr)	8.6691	+0.0435	640 - 742	8.6834	8.6283	8.6615	1.1	8.6449	1.1	8.5824	1.0	109.9
Finland	(FM)	6.7415	+0.04	343 - 486	6.7530	6.7110	6.7371	0.8	6.729	0.7	-	-	87.7
France	(FFr)	7.7576	+0.0371	535 - 616	7.7855	7.7144	7.7645	-1.1	7.7701	-0.6	7.7647	-0.1	110.1
Germany	(DM)	2.2358	+0.0137	344 - 371	2.2395	2.2242	2.2306	2.8	2.2212	2.6	2.1803	2.5	112.2
Greece	(Dr)	367.964	+1.986	753 - 175	369.350	366.484	-	-	-	-	-	-	67.1
Ireland	(I£)	0.9774	+0.0021	765 - 783	0.9785	0.9754	0.9766	1.0	0.9753	0.9	0.9721	0.5	97.6
Italy	(L)	2516.21	+0.8	423 - 819	2526.62	2513.90	2523.46	-3.5	2538.36	-3.5	2606.51	-3.6	70.2
Luxembourg	(LFr)	45.9699	+0.2487	277 - 121	46.0130	45.7380	45.8749	2.5	45.6849	2.5	44.9499	2.2	109.6
Netherlands	(Fl)	2.5059	+0.0126	043 - 075	2.5082	2.4891	2.4994	3.1	2.4865	2.8	2.4423	2.5	109.6
Norway	(NKr)	9.8538	+0.025	467 - 609	9.8849	9.7776	9.8414	1.5	9.8185	1.4	9.744	1.1	98.8
Portugal	(Es)	235.765	+1.494	611 - 918	236.099	234.619	236.305	-2.7	237.525	-3.0	-	-	95.1
Spain	(Pta)	193.564	+0.666	463 - 664	193.892	192.871	194.064	-3.1	195.004	-3.0	199.404	-3.0	80.9
Sweden	(SKr)	10.4450	-0.0379	358 - 542	10.5084	10.4070	10.4472	-0.3	10.4518	-0.3	10.4751	-0.3	86.5
Switzerland	(SFr)	1.7984	+0.0051	973 - 994	1.8029	1.7912	1.7913	4.7	1.7794	4.2	1.7265	4.0	116.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.2
Ecu	-	1.2176	+0.0038	167 - 184	1.2193	1.2117	1.2165	1.1	1.2143	1.1	1.2049	1.0	-
SDR†	-	1.05356	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5784	+0.0007	778 - 790	1.5808	1.5745	-	-	-	-	-	-	-
Brazil	(R$)	1.5189	+0.0013	180 - 198	1.5207	1.5151	-	-	-	-	-	-	-
Canada	(C$)	2.1252	+0.0029	237 - 266	2.1269	2.1184	2.1263	-0.6	2.1283	-0.6	2.1321	-0.3	84.9
Mexico	(New Peso)	11.4205	+0.1542	774 - 635	11.4689	11.2001	-	-	-	-	-	-	-
USA	($)	1.5785	+0.0006	780 - 790	1.5808	1.5745	1.5774	0.8	1.5756	0.7	1.5653	0.8	93.3
Pacific/Middle East/Africa													
Australia	(A$)	2.0769	+0.0025	755 - 782	2.0785	2.0755	2.0782	-0.8	2.0811	-0.8	2.0958	-0.9	87.5
Hong Kong	(HK$)	12.2050	+0.005	003 - 096	12.2220	12.1743	12.2015	0.3	12.189	0.5	12.1555	0.4	-
India	(Rs)	54.4583	+0.4941	832 - 334	54.7910	53.7120	-	-	-	-	-	-	-
Israel	(Shk)	4.7573	-0.0214	518 - 627	4.7932	4.7501	-	-	-	-	-	-	-
Japan	(Y)	162.625	+1.293	534 - 716	162.950	160.890	161.71	6.8	160.1	6.2	153.175	5.8	139.1
Malaysia	(M$)	4.0173	+0.0048	152 - 193	4.0194	4.0081	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4087	+0.0181	066 - 107	2.4110	2.4051	2.4146	-3.0	2.4238	-2.5	2.4495	-1.7	101.0
Philippines	(Peso)	41.0568	+0.0156	964 - 172	41.1200	40.9950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9202	+0.0023	181 - 222	5.9286	5.9055	-	-	-	-	-	-	-
Singapore	(S$)	2.2352	+0.0031	337 - 367	2.2369	2.2303	-	-	-	-	-	-	-
South Africa	(R)	5.7564	+0.0022	534 - 594	5.7640	5.7438	-	-	-	-	-	-	-
South Korea	(Won)	1209.21	+1.88	875 - 967	1211.53	1206.22	-	-	-	-	-	-	-
Taiwan	(T$)	42.7474	+0.1648	259 - 688	42.9047	42.6469	-	-	-	-	-	-	-
Thailand	(Bt)	39.7782	+0.0782	498 - 066	39.8070	39.6770	-	-	-	-	-	-	-

† Rates for Oct 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	9.9677	+0.0575	645 - 709	9.9710	9.9040	9.9526	1.8	9.9225	1.8	9.8132	1.6	107.2
Belgium	(BFr)	29.1225	+0.1485	050 - 400	29.1600	28.9590	29.0815	1.7	29.0025	1.6	28.7025	1.4	109.3
Denmark	(DKr)	5.4920	+0.0255	905 - 935	5.5035	5.4585	5.4926	-0.2	5.4885	0.3	5.498	-0.1	109.3
Finland	(FM)	4.2708	+0.0237	676 - 740	4.2794	4.2453	4.2704	0.1	4.2693	0.1	4.2648	0.1	87.2
France	(FFr)	4.9145	+0.0216	135 - 155	4.9186	4.8860	4.923	-2.1	4.933	-1.5	4.9545	-0.8	109.6
Germany	(DM)	1.4164	+0.0081	160 - 168	1.4191	1.4071	1.4142	1.9	1.4099	1.8	1.3913	1.8	111.8
Greece	(Dr)	233.110	+1.17	050 - 170	233.890	231.820	234.835	-8.9	238.035	-8.5	251.51	-7.9	66.7
Ireland	(I£)	1.6151	-0.0028	141 - 160	1.6191	1.6125	1.6153	-0.1	1.6154	-0.1	1.6219	-0.4	-
Italy	(L)	1594.05	-0.1	330 - 480	1601.20	1582.85	1600.8	-5.1	1612.85	-4.7	1670.05	-4.8	69.4
Luxembourg	(LFr)	29.1225	+0.1485	050 - 400	29.1600	28.9590	29.0815	1.7	29.0025	1.6	28.7025	1.4	109.3
Netherlands	(Fl)	1.5875	+0.0074	870 - 880	1.5897	1.5752	1.5848	2.0	1.5797	2.0	1.5597	1.7	109.1
Norway	(NKr)	6.2425	+0.0135	400 - 450	6.2674	6.1895	6.2387	0.7	6.2325	0.6	6.2225	0.3	98.0
Portugal	(Es)	149.360	+0.89	310 - 410	149.600	148.390	149.825	-3.7	150.835	-4.0	155.46	-4.1	95.4
Spain	(Pta)	122.625	+0.375	600 - 650	122.820	122.070	123.005	-3.7	123.775	-3.8	127.27	-3.8	80.8
Sweden	(SKr)	6.6171	-0.0265	133 - 208	6.6526	6.5899	6.6345	-3.2	6.6711	-3.3	6.8398	-3.4	85.3
Switzerland	(SFr)	1.1393	+0.0028	390 - 396	1.1425	1.1337	1.1357	3.8	1.1296	3.4	1.1018	3.3	116.0
UK	(£)	1.5785	+0.0006	780 - 790	1.5808	1.5745	1.5774	0.9	1.5756	0.7	1.5653	0.8	83.6
Ecu	-	1.2965	-0.0035	960 - 970	1.3041	1.2945	1.2969	-0.4	1.2976	-0.3	1.2999	-0.3	-
SDR†	-	0.66910	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	+0.0001	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9623	+0.0005	620 - 625	0.9628	0.9620	-	-	-	-	-	-	-
Canada	(C$)	1.3463	+0.0013	458 - 468	1.3470	1.3410	1.3479	-1.5	1.351	-1.4	1.3633	-1.3	84.1
Mexico	(New Peso)	7.2350	+0.095	100 - 600	7.2700	7.2100	7.2373	-0.4	7.2405	-0.3	7.2453	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3156	+0.001	153 - 161	1.3182	1.3142	1.3174	-1.6	1.321	-1.6	1.3407	-1.9	88.1
Hong Kong	(HK$)	7.7320	+0.0002	315 - 325	7.7325	7.7312	7.7336	-0.2	7.7355	-0.2	7.7557	-0.3	-
India	(Rs)	34.5000	+0.3	000 - 000	34.7000	33.9800	34.65	-5.2	34.955	-5.3	36.425	-5.6	-
Israel	(Shk)	3.0138	-0.0147	113 - 163	3.0345	3.0110	-	-	-	-	-	-	-
Japan	(Y)	103.025	+0.78	000 - 050	103.240	101.850	102.53	5.8	101.61	5.5	97.735	5.1	140.4
Malaysia	(M$)	2.5450	+0.002	445 - 455	2.5460	2.5390	2.545	0.0	2.5454	-0.1	2.553	-0.3	-
New Zealand	(NZ$)	1.5258	+0.0109	251 - 267	1.5275	1.5236	1.5299	-3.2	1.5374	-3.0	1.5621	-2.4	-
Philippines	(Peso)	26.0100	-	800 - 400	26.0400	25.9600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7507	3.7504	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4160	+0.0014	155 - 165	1.4165	1.4130	1.4125	2.9	1.4062	2.8	1.3815	2.4	-
South Africa	(R)	3.6468	-	460 - 475	3.6477	3.6460	3.6721	-8.3	3.7221	-8.3	3.9533	-8.4	-
South Korea	(Won)	786.050	+0.9	000 - 100	786.900	785.100	789.05	-4.7	772.55	-3.4	791.05	-3.3	-
Taiwan	(T$)	27.0810	+0.094	760 - 860	27.0870	27.0150	27.101	-0.9	27.141	-0.9	-	-	-
Thailand	(Bt)	25.2000	+0.04	900 - 100	25.2200	25.1640	25.2875	-4.2	24.985	4.2	26.155	-3.8	-

† SDR rate per $ for Oct 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 31. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	4 1/16	4⅛	4 3/16	4 3/16	8.00	3.50	-
week ago	3⅝	4 1/16	4⅛	4 3/16	4¼	8.00	3.50	-
France	6⅛	6¼	6¼	6⅛	6⅛	-	-	7.00
week ago	7⅛	6¾	7⅛	7⅛	6 9/16	-	-	7.00
Germany	4	4 1/16	4	4	4	5.50	3.50	4.02
week ago	4 1/32	4 1/16	4 1/32	4 1/32	4 1/16	5.50	3.50	4.03
Ireland	5⅝	5⅞	5 13/16	5 15/16	6⅛	-	-	6.25
week ago	5⅞	5⅞	5¾	5 15/16	6⅛	-	-	6.25
Italy	10 5/16	10½	10⅝	10¾	10 15/16	-	9.00	10.77
week ago	10½	10½	10 13/16	11 1/16	11⅛	-	9.00	10.59
Netherlands	3⅝	3⅝	3 11/16	3 13/16	4	-	3.50	3.70
week ago	3⅝	3⅝	3⅝	3 13/16	4 1/16	-	3.50	3.70
Switzerland	1⅝	1⅞	2	2	2	5.00	2.00	-
week ago	1 15/16	1⅞	2⅛	2 1/16	2⅛	5.00	2.00	-
US	5 13/16	5 13/16	5⅝	5⅝	5 9/16	-	5.25	-
week ago	5¾	5 13/16	5 13/16	5 13/16	5 9/16	-	5.25	-
Japan	⅜	½	¼	⅜	⅜	-	0.50	-
week ago	¼	½	⅜	⅜	⅜	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 13/16	5 13/16	5⅝	5 9/16	-	-	-
week ago	-	5 13/16	5 13/16	5⅝	5⅝	-	-	-
US Dollar CDs	-	5.63	5.59	5.60	5.58	-	-	-
week ago	-	5.63	5.61	5.64	5.68	-	-	-
ECU Linked Ds	-	5 13/16	5⅞	5 13/16	5 13/16	-	-	-
week ago	-	5 13/16	5⅞	5 13/16	5 13/16	-	-	-
SDR Linked Ds	-	3¾	3⅝	3 13/16	3 13/16	-	-	-
week ago	-	3⅝	3⅝	3 13/16	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 3/16 - 4 1/16	4 3/16 - 4 1/16	[illegible]	[illegible]
Danish Krone	5¾ - 5¼	5 11/16 - 5 9/16	5 11/16 - 5 9/16	5¾ - 5⅝	[illegible]	[illegible]
D-Mark	4⅛ - 4	4 1/16 - 3 15/16	4⅛ - 4	4 1/16 - 3 15/16	[illegible]	[illegible]
Dutch Guilder	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3 15/16 - 3⅞	[illegible]	[illegible]
French Franc	6¼ - 5⅞	6½ - 6¼	6 7/16 - 6 5/16	6 7/16 - 6 5/16	[illegible]	[illegible]
Portuguese Esc.	8 15/16 - 8 13/16	8⅞ - 8¾	9 1/16 - 8 15/16	9 3/16 - 9 1/16	[illegible]	[illegible]
Spanish Peseta	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 9/16 - 9 7/16	[illegible]	[illegible]
Sterling	6¾ - 5⅝	6¾ - 6⅝	6 25/32 - 6 21/32	6 25/32 - 6 21/32	[illegible]	[illegible]
Swiss Franc	2 - 1⅞	2 1/16 - 1 15/16	2 - 1⅞	2 1/16 - 1 15/16	[illegible]	[illegible]
Can. Dollar	6⅛ - 5 15/16	6¼ - 6 1/16	6⅛ - 5 15/16	6 - 5⅞	[illegible]	[illegible]
US Dollar	5¾ - 5½	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 13/16 - 5 11/16	[illegible]	[illegible]
Italian Lira	10½ - 10⅜	10 9/16 - 10 7/16	10 9/16 - 10 7/16	10⅝ - 10½	[illegible]	[illegible]
Yen	½ - 7/16	½ - ⅜	7/16 - ¼	⅜ - ¼	[illegible]	[illegible]
Asian $Sing	2⅛ - 2	2 11/16 - 2 9/16	2 11/16 - 2 9/16	2 11/16 - 2 9/16	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate Oct 31

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.80	93.65	-	93.80	93.63	36,680	39,953
Mar	94.32	94.24	-	94.32	94.21	9,505	34,410
Jun	94.55	94.48	-	94.55	94.46	5,498	33,760

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.99	96.00	+0.01	96.00	95.98	8947	133165
Mar	96.14	96.17	+0.02	96.18	96.14	18970	149516
Jun	96.09	96.12	+0.04	96.13	96.08	12242	126701
Sep	95.92	95.97	+0.06	95.98	95.91	11308	93169

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.47	89.59	+0.14	89.61	89.38	6508	27592
Mar	89.73	89.94	+0.23	89.95	89.60	1669	27813
Jun	89.95	90.02	+0.15	90.02	89.95	66	14806
Sep		90.07	+0.15			0	8022

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.02	98.05	+0.04	98.09	98.02	2292	20263
Mar	98.11	98.14	+0.03	98.15	98.09	3593	18800
Jun	98.04	98.06	+0.03	98.06	98.03	670	6680
Sep	97.85	97.87	+0.03	97.87	97.83	349	3416

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.39	94.41	+0.04	94.41	94.32	995	8542
Mar	94.49	94.54	+0.03	94.55	94.48	326	4156
Jun	94.49	94.54	+0.05	94.54	94.49	59	2546
Sep		94.41	+0.06			0	1837

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8950	0.37	0.82	0.96	0.28	0.38	0.44
8975	0.23	0.66	0.80	0.39	0.47	0.53
9000	0.13	0.52	0.66	0.54	0.58	0.64

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 12788 Puts 6633

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.86	16.88	4.864	2.125	5473	5.451	21.44	512.9	421.1	22.73	3.911	2.175	4.623	3.433	353.7	2.650
Denmark	(DKr)	53.03	10	8.949	2.579	1.127	2902	2.891	11.37	272.0	223.3	12.05	2.074	1.154	2.451	1.820	187.6	1.405
France	(FFr)	59.25	11.17	10	2.882	1.259	3243	3.230	12.70	303.9	249.5	13.47	2.318	1.289	2.739	2.034	209.6	1.570
Germany	(DM)	20.56	3.877	3.470	1	0.437	1125	1.121	4.407	105.5	86.58	4.674	0.804	0.447	0.950	0.706	72.72	0.545
Ireland	(I£)	47.05	8.873	7.941	2.289	1	2575	2.565	10.09	241.4	198.2	10.70	1.840	1.024	2.175	1.615	166.4	1.247
Italy	(L)	1.827	0.345	0.308	0.089	0.039	100.	0.100	0.392	9.372	7.695	0.415	0.071	0.040	0.084	0.063	6.463	0.048
Netherlands	(Fl)	18.34	3.459	3.096	0.892	0.390	1004	1	3.932	94.09	77.25	4.170	0.717	0.399	0.848	0.630	64.88	0.486
Norway	(NKr)	46.65	8.797	7.873	2.269	0.991	2553	2.543	10	239.3	196.5	10.60	1.825	1.015	2.156	1.601	165.0	1.236
Portugal	(Es)	19.50	3.676	3.290	0.948	0.414	1067	1.063	4.179	100.	82.10	4.432	0.763	0.424	0.901	0.669	68.96	0.517
Spain	(Pta)	23.74	4.478	4.007	1.155	0.505	1300	1.294	5.090	121.8	100.	5.398	0.929	0.517	1.098	0.815	83.99	0.629
Sweden	(SKr)	43.99	8.296	7.424	2.140	0.935	2408	2.398	9.430	225.6	185.3	10	1.721	0.957	2.033	1.510	155.6	1.166
Switzerland	(SFr)	25.57	4.821	4.315	1.244	0.543	1399	1.394	5.481	131.1	107.7	5.812	1	0.556	1.182	0.878	90.43	0.677
UK	(£)	45.97	8.669	7.758	2.236	0.977	2516	2.506	9.854	235.8	193.6	10.45	1.798	1	2.125	1.578	162.6	1.218
Canada	(C$)	21.63	4.080	3.651	1.052	0.460	1184	1.179	4.637	111.0	91.11	4.918	0.846	0.471	1	0.743	76.52	0.573
US	($)	29.13	5.494	4.916	1.417	0.619	1594	1.588	6.245	149.4	122.7	6.622	1.139	0.634	1.347	1	103.0	0.772
Japan	(Y)	28.27	5.331	4.771	1.375	0.601	1547	1.541	6.060	145.0	119.1	6.427	1.106	0.615	1.307	0.970	100.	0.749
Ecu		37.74	7.117	6.369	1.836	0.802	2066	2.057	8.090	193.6	158.9	8.580	1.476	0.821	1.745	1.296	133.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7121	0.7078	-0.0040	0.7124	0.7070	18,327	54,437
Mar	0.7124	0.7120	-0.0039	0.7127	0.7101	278	3,524
Jun	0.7151	0.7140	-0.0039	0.7151	0.7140	2	172

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9870	0.9786	-0.0074	0.9881	0.9770	16,270	62,338
Mar	0.9942	0.9926	-0.0068	0.9948	0.9915	252	8,276
Jun	-	1.0135	-	-	-	1	378

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8852	0.8818	-0.0034	0.8860	0.8794	14,008	34,458
Mar	0.8880	0.8906	-0.0043	0.8908	0.8877	98	1,979
Jun	-	0.8980	-	-	0.8970	60	467

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5778	1.5770	-0.0024	1.5784	1.5736	5,812	35,450
Mar	1.5736	1.5750	-0.0026	1.5750	1.5720	28	229
Jun	-	1.5700	-	-	-	2	10

UK INTEREST RATES

LONDON MONEY RATES

Nov 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 6⅝	6 13/16 - 6½	6¾ - 6⅝	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 11/16
Sterling CDs	-	-	6 11/16 - 6⅝	6 13/16 - 6⅝	6 13/16 - 6⅝	6 13/16 - 6⅝
Treasury Bills	-	-	6 11/16 - 6 17/32	6 21/32 - 6 19/32	-	-
Bank Bills	-	-	6⅝ - 6 9/16	6 11/16 - 6 19/32	6⅝ - 6½	-
Local authority deps.	6 11/16 - 6 9/16	6 11/16 - 6 9/16	6 11/16 - 6 9/16	6 11/16 - 6⅝	6⅝ - 6½	6¾ - 6⅝
Discount Market deps	7¼ - 6¾	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	5	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.5346pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.67pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.38	93.38	+0.01	93.39	93.34	7600	83550
Mar	93.52	93.49	-	93.52	93.45	15363	86573
Jun	93.49	93.47	+0.01	93.49	93.43	7249	47161
Sep	93.33	93.32	+0.02	93.33	93.26	4912	36685
Dec	93.11	93.10	+0.02	93.11	93.04	3284	25236

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.19	0.40	0.52	0.06	0.16	0.30
9350	0.06	0.25	0.38	0.18	0.26	0.41
9375	0.01	0.14	0.26	0.38	0.40	0.54

Est. vol. total, Calls 6365 Puts 3762. Previous day's open int., Calls 140011 Puts 139292

EMS EUROPEAN CURRENCY UNIT RATES

Nov 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09951	+0.00075	-2.45	6.17	18
Belgium	39.3960	38.5148	+0.0147	-2.24	5.94	18
Germany	1.91007	1.87321	+0.00095	-1.93	5.61	19
Austria	13.4383	13.1823	+0.0062	-1.91	5.58	14
Denmark	7.28580	7.26497	-0.00161	-0.29	3.87	2
Spain	162.493	162.371	-0.029	-0.08	3.65	1
Portugal	195.792	197.535	+0.145	0.89	2.66	-6
France	6.40608	6.49908	-0.00274	1.45	2.09	-12
Ireland	0.792214	0.820519	-0.000431	3.57	0.00	-24
NON ERM MEMBERS						
Greece	292.867	308.798	+0.346	5.44	-1.77	-
Italy	2106.15	2115.80	-0.32	0.46	3.10	-
UK	0.786652	0.840058	-0.001084	6.79	-3.01	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	4.14	4.44	4.82	0.02	0.40	0.82
1.550	3.15	3.65	4.10	0.06	0.57	1.09
1.560	2.28	2.92	3.44	0.14	0.85	1.43
1.570	1.46	2.33	2.84	0.39	1.20	1.83
1.580	0.81	2.04	2.35	0.58	1.41	2.29
1.590	0.37	1.78	1.90	1.15	1.64	2.79

Previous day's vol., Calls 6,350 Puts 8,640. Prev. day's open int., Calls 283,787 Puts 277,081

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.22	94.25	+0.03	94.26	94.20	56,367	372,959
Mar	94.50	94.58	+0.08	94.57	94.48	90,741	401,842
Jun	94.50	94.58	+0.08	94.59	94.48	56,376	268,476

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.78	94.78	-	94.79	94.76	1,025	11,304
Mar	94.98	94.98	-	95.00	94.95	637	6,330
Jun	94.97	94.97	-	94.99	94.97	18	359

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9600	0.04	0.09	0.23	0.26	0.04	0.09	0.08	0.11
9625	0	0.02	0.09	0.14	0.25	0.27	0.17	0.22
9650	0	0	0.03	0.05	0.50	0.50	0.36	0.38

Est. vol. total, Calls 8214 Puts 1800. Previous day's open int., Calls 242173 Puts 226918

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.11	0.27	0.28	0.06	0.13	0.22
9825	0.03	0.13	0.17	0.23	0.24	0.38
9850	0.01	0.07	0.09	0.46	0.43	0.53

Est. vol. total, Calls 0 Puts 200. Previous day's open int., Calls 6592 Puts 1975

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

Prices for electricity ... [illegible]

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or −	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Sanwa Spc Cm 2nd Prf		50½	....	58	50¼	8.31	19.8	–
Cater Allen	♣	470	−1	525	418	153.2	7.7	7.1
Close Bros	♣	316xa	.	340½	216¼	379.5	3.4	Φ
Gerrard & Nat	♣	443		490	385	210.2	8.3	14.3
Hambros		201	...	250	180	368.0	4.7	50.7
7½pc Cv Pf		99½	−½	112	94	128.2	9.4	–
Joseph (L)	♣	423	...	483	353	22.4	5.2	23.6
King & Shaxson	♣	114	−1	148	85	29.3	9.9	8.9
Rea Brothers	♣	45	..	67	44	21.9	2.8	18.0
Schroders	♣	1340	−6	1478	906¼	2,023	1.3	19.1
N/V		1108	−2	1180	822¼	487.5	1.6	15.8
Singer & Fried	♣	106xd	...	110	81	208.5	4.4	11.0
8½pc Cv Ln 08/14		£129½	.....	£131	£100	38.7	6.6	–
Union	♣	105	...	121	70	27.9	3.6	–
Whitbread	♣	285	...	285	200	25.1	4.8	16.9

BANKS, RETAIL

	Notes	Price	+ or −	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£26⅛	−1⅜	£27½	£21⅞	7,827	4.9	9.7
ANZ A$	†	262	−2	280	198	3,840	5.3	7.8
Abbey National	♣	629	−6½	677½	413	8,982	4.6	10.6
Allied Irish I£	♣†	321	−1	330	250	2,139	4.5	9.3
Anglo Irish I£		63	...	64	48	216.8	7.0	12.7
Asahi Y		821	−11½	857½	613¼	14,420	0.7	–
Banco Bil Viz Pta		£19¼	+⅞	£20½	£14½	4,388	4.3	8.7
Banco Sant Pta		£26⅞	—	£27½	£22½	4,292	4.8	18.8
Bk Ireland I£		421	+1	426	288	2,001	3.8	8.4
Bank Scotland	♣†	249xd	−3	270½	191½	2,933	3.1	11.0
9¼pc Pf		110½xd	+¼	120	109¼	110.5	10.5	–
New 9 1/4pc Pf		110½xd	−¼	118¼	108½	110.6	10.5	–
9⅛pc Pf		116¼xd	...	125½	112¼	116.8	10.4	–
Barclays	♣†	738	−5	778	557½	11,833	3.8	10.1
Dai Ichi Kan Y		£10½	−⅛	£13¼	£9⅞	32,235	0.5	–
Deutsche DM		£27⅜	−1⅛	£32⅛	£27¼	13,292	2.6	–
Espirito Santo		£6½	−⅛	£8½	£6½	149.0	11.8	Φ
Fuji Bank Y		1143½	−34	1611	1139½	33,137	0.5	–
HSBC Hk	†	923	−5	947	578	16,383	3.8	12.0
HSBC 75p Shs	†	936	−5	963	580	8,049	3.8	12.2
Irish Permanent	†	333	.	336	228	253.5	3.6	7.7
Lloyds	†	786	+7	792½	530	10,312	4.3	12.0
Mitsubishi Y		£12⅞	−⅛	£16⅝	£13⅜	34,984	0.4	Φ
Mit Tst & Bk Y		864	−19½	1128½	726¼	10,352	0.6	14.0
Mitsui Tst & Bk Y		504¼	−4	743½	504¼	6,841	1.0	17.5
Nat Aust A$	†	539	−1	592	479	7,686	7.1	8.3
NatWest	†	625	−7	669	454	10,606	4.5	9.7
Ottomane FFr		£26	..	£30	£21½	125.0	6.4	3.4
Ryl Bk Scotland	♣†	508	−5	569½	373½	4,104	3.5	12.2
Sakura Y		£6⅝	..	£8⅜	£5⅜	20,384	0.9	39.2
Sanwa Y		£11	+⅛	£14⅜	£10⅜	31,930	0.5	–
Standard Chartd	†	515	−6	529½	246	4,865	2.2	12.9
7 3/8pc Prf		87¼	−¼	96¼	84¼	87.8	10.5	–
Sumitomo Y		£11⅛	−⅛	£14⅛	£10⅛	34,956	0.5	–
Sumitomo Tst Y		734½	+¼	1092	666	9,142	0.7	74.0
TSB	†	378	+3	377	217	5,780	3.2	15.6
Tokai Y		£6⅛	−⅛	£8⅛	£6⅛	13,426	0.8	Φ
Toyo Tst & Bk Y		429	−¼	689½	429	3,371	1.0	Φ
Westpac A$		257½	−2¼	269¼	211	4,689	2.2	Φ
Yasuda Tst Bk Y		282½	−2¼	560½	279¼	3,120	1.5	28.6

BREWERIES

	Notes	Price	+ or −	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Ascot Hldgs		209	...	231	143	57.7	–	0.4
Bass	†	683	.	689	487	5,827	4.1	16.0
Boddington	†	410	+5	412	239	498.8	2.8	21.1
Burtonwood		186	...	192	137	38.7	3.6	17.3
Eldridge Pope A	†	172	...	188	137	35.8	3.1	20.9
Fosters A$		61	+1	61	51	1,863	4.9	Φ
Fuller STA		407	—	433	335	83.0	2.6	17.4
Gibbs Mew		308	...	460	295	42.8	3.9	10.2
Greenalls		481	+7	527	402	1,039	3.4	14.2
Greene King		638	...	658	468	270.5	2.7	17.1
Grosvenor Inns		243	+6	244	140	33.8	2.7	28.9
Hall (J)		3143	–	3425	3049	97.4	2.1	18.8
Kirin Y		627¼	−5	770½	627	8,801	1.0	24.3
Mansfield		328	.	347	219	210.9	2.0	17.3
Marston Thomp		304	...	321	266	272.7	2.7	15.2
Morland		518	−2	543	391½	144.5	2.7	15.6
Paramount		7xd	.	8¼	6½	8.28	3.9	Φ
Regent Inns		596	+4	605	307	87.8	1.6	21.9
Scott & New		567	..	634	482	3,598	3.9	15.8
United Breweries		1½	—	1¼	1¼	9.88	–	–
Vaux		259	.	309	211	364.2	4.8	14.6
Wetherspoon (J D)		834xd	+1	837	448	231.4	1.6	Φ
Whitbread	†	629	+9	647	521	3,031	4.1	16.2
Wolv & Dudley	†	528	−1	585	483	352.7	3.4	13.6
Yates Bros		273	+3	290	186	107.6	1.4	27.4
Young A		455	...	475	425	13.2	4.1	20.4
N V		383	...	410	365	21.8	4.9	17.1

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or −	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛	—	£34	£29	2,109	2.6	Φ
Barlow	♣	£8¾	—	£8¼	£4⅞	1,639	1.2	30.1
Gold Flds Prop R		145½	—	152	118	14.8	7.2	6.6
NK Props		85	—	95	85	3.46	13.6	-
SASOL	♥	594	—	848	435	3,127	2.5	-
SA Brews		£20¾	—	£21⅞	£12¾	5,929	1.7	28.4
Standard Bank	□	£24⅞	—	£24⅞	£20⅞	2,901	1.9	17.0
Tiger Oats		1040	—	1087	700	1,064	1.4	25.2
Tongaat-Hulett	†♣	872	—	872	636	794.7	1.6	26.1

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a *guide to yields and P/E ratios. Dividends and Dividend covers are published* on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings'formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • *Highs and lows marked thus have been adjusted to allow for capital changes*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ *Indicated dividend yield after pending scrip and/or rights issue.*
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on *latest annual earnings.* u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment F Yield based on prospectus or other official estimates for 1994-95 G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for *1994* L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualise yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hall, Pembroke, Bermuda

Prices for dealing November 1

Jupiter Tyndall (Bermuda) Ltd

Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mngmt Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Intl Currencies Fd Ltd

	Selling Price	+/-	Yield
Managed Fund	$44.11	-0.01	-

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 348, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd

PO Box 256, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Emerging Mkts Lead In Plate.	$14.31	14.98	--	-

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

	Selling Price	Buying Price	+ or -	Yield Gross
CUCIM Trust	£1.0255		-0.0014	6.79

Consulta (Channel Islands) Limited

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

GT Asset Management (Ireland) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Late rally sees FT-SE move clear of 3,500 level

By Steve Thompson, UK Stock Market Editor

London's equity market struggled to negotiate an exceptionally difficult trading session yesterday which saw the FT-SE 100 index threaten to drop back below the 3,500 mark.

The market was rescued by the latest US economic news. The National Association of Purchasing Management index pointed to a significant slowing in the US economy, helping to calm worries triggered by last week's gross domestic product figures, which had pointed to rapid expansion.

The NAPM news promoted a strong rise in US Treasury bonds, which in turn gave a lift to the Dow Jones Industrial Average at the start of trading and helped to drive share prices higher across Europe.

The initial factors depressing UK equities were a swift and worrying decline on Wall Street on Tuesday evening, the absence of any significant interest from continental Europe, much of which was closed for All Saints Day, and extremely disappointing interim numbers from J. Sainsbury, which vies for the position of top UK food retailer.

At the end of a session that saw a marked rise in turnover, thanks largely to the heavy activity in the food retailing sector, the FT-SE 100 was left 10.4 down at 3,518.7. The FT-SE Mid 250 index gave a much more resolute performance, bolstered by a good showing by property shares, which figure prominently in the second-tier index.

Other stocks making rapid progress in the Mid 250 index included life assurance groups Refuge and Britannic, which were lifted by broker buy recommendations and bid talk, and BET, the business services group, which pleased the market with its interim results. Prudential, one of the UK's biggest insurers, was the top FT-SE 100 performer, on a broker buy recommendation.

The Dow's retreat on Tuesday evening from an early 40-point gain to an eventual loss on the session, plus the absence of any of the rumoured takeover bids, and the poor Sainsbury figures, saw the Footsie open 11 points lower. It fell further to the day's low of 3,502.5 in mid-morning, with dealers taking avoiding action in the whole of the food retailing sector as Sainsbury's post-results meeting with analysts was followed by a series of profits downgrades in that company.

All of the big supermarket groups were given a hammering by the market as worries about price wars and margin pressures triggered big selling of Asda, Tesco, Argyll and Kwik Save. Marketmakers fretted at the prospect of more bad news when Kwik Save announces its interims this morning.

Food retailers provided four out of the worst five Footsie performers. Turnover in Sainsbury, Tesco, Argyll and Asda accounted for some 57m shares, or 8 per cent of the market's total volume of 707.9m.

But with the US responding positively to the NAPM news, London began to pick up. Its earlier losses were reduced by half at the close.

Senior marketmakers described London as being anchored in the midst of a Footsie trading range of around 3,450 to just short of 3,600. "We are bogged down by apathy," said one dealer. Customer business on Tuesday was worth £1.18bn.

Pru hits record high

In spite of being around their all-time high at the start of trading, Prudential shares forged ahead more than 4.5 per cent yesterday.

Rumour, speculation and solid technical support ensured that they topped the list of Footsie performers with a rise of 18 to 414p, backed by turnover of 9m shares, far higher than average.

Rumour initially focused on the company's "orphan estate" and the possibility that some of the estimated £2bn it contains could be returned to shareholders.

One analyst believed the Pru had been in touch with the Department of Trade and Industry to discuss rules concerning the sums of capital, which have been amassed over decades and are surplus to policy-holders' reasonable expectations. However, company officials were keen to steer the market away from that speculation.

Speculation hovered over the possibility of the Pru selling its M&G reinsurance company. This seemed if anything more unlikely. But those two stories started the whole life insurance sector running.

By the time solid technical support from James Capel was identified, the momentum for a sharp rise was already in place. Mr Robin Griffiths, the agency broker's chief technical analyst, argued that the second wave of the bull market was beginning and the Pru would be one of the main beneficiaries. Mr Griffiths sees the Footsie at 3,750 by the end of the year and 4,000 by next spring. He believes the Pru could shortly be more fairly valued at 600p a share.

Sainsbury weak

The prospect of a long drawn-out price war sent a chill through the food retailing sector as J. Sainsbury posted interim figures at the lower end of market expectations.

It was the statement accompanying results that became the focus of the day. The company said: "The trading environment is highly competitive and we have reduced prices to reinforce our value for money position."

Dealers suggested the comments were a sign of the deepening price war among leading food retailers, which sent Sainsbury stock tumbling 21 to 403p to make it the worst performer in the Footsie.

SBC Warburg, the group's broker, weighed in with a sharp profits downgrade, reducing its full-year profits estimate by £50m to £825m. Analysts at Warburg said: "We expect gross margins to fall by up to 0.5 per cent, which will hit the bottom line. This is due to the competitive pressure which may go through the Christmas period."

The news at Sainsbury triggered a sharp retreat in the rest of the sector in heavy trading. Analysts said they were looking to downgrade profits estimates of the other leading food retailers within the next few weeks. Tesco fell 7 to 293p, while Argyll Group gave up 10 to 312p. Asda Group relinquished 2¾ to 99¾p. Second-line food retailers were also hit by the gloom in the leaders and Kwik Save fell 16 to 678p.

Oil major Shell Transport moved ahead in response to a firmer crude oil price and some switching out of the Royal Dutch side of the company. Dealers said that Royal Dutch had been at a 14 per cent premium to Shell, one of the highest gaps between the valuations of the two sides of the company. This had prompted some solid institutional switching being seen in the US. In London, turnover in Shell rocketed to 42m, the second highest on record in a single session.

Optimism ahead of the third quarter reporting season also helped. Shell, which reports today, gained 4½ at 745½p.

A block of 5m British Gas shares sold into the market by one institution depressed the share price by 5¼ to 235¼p and boosted volume to 14m shares. Also, a consultative document on Transco, the division that operates the national gas grid, from Ofgas, the regulator, was expected yesterday and failed to materialise.

Share buy-back fever moved over to ICI yesterday, pushing the shares up 7 to 781p. One analyst said a buy-back was no more than a possibility, but a number of US chemicals groups had done so and ICI had very low gearing.

Also, the company announced a co-operation agreement with China. The pledge of co-operation, signed in Beijing, covers licensing, technology sale and transfer and direct investment. It is divided into six core areas of acrylics, paints, explosives, polyurethanes, tioxide and chemicals and polymers. ICI already has paints plants in Guangzhou and polyurethane factories in Shanghai.

Glaxo Wellcome moved up 1½ to 855p in the wake of an announcement that it had received UK approval to market Valtrex, its anti-viral agent, for herpes. Also, the company's new anti HIV drug, 3TC, is to be assessed by an advisory committee to the US Food and Drug Administration early next week and, because of the high priority accorded to Aids treatments, is expected to receive accelerated approval.

SmithKline Beecham eased 1½ to 659p in the "A"s, although analysts said the market was beginning to appreciate encouraging statistics about one of the company's new drugs.

Kredex, the treatment for congestive heart failure, has been shown to increase life expectancy for sufferers by 67 per cent. Analysts said that, next week, the company will be presenting information on the drug, which is awaiting approval by the US Food and Drug Administration.

A profits warning from motor distributor Evans Halshaw sent the shares plunging and hit sentiment among other vehicle distributors.

By the close, Evans had retreated a hefty 66 to 318p.

The poor sentiment soon spread and the day's casualties included Inchcape, where the shares declined 15 to 298p in trade of 3.1m, while Lex Service gave up 12 to 318p.

Lucas Industries hardened 5 to 197p following a recommendation from Merrill Lynch.

Among transport stocks, Channel tunnel operator Eurotunnel declined 5 to 90p following Tuesday's dismissal by an international tribunal of a £2.5bn claim against British Rail and SNCF, the French railway. British Airways closed 2¼ ahead at 457¼p, with Morgan Stanley said to have urged investors to buy the stock.

Shares in Marks and Spencer fell 7 to 417p after BZW trimmed its full-year profits estimate by £25m to £1bn and UBS reiterated a sell recommendation. The group reports interim figures next week.

Improved interim figures from Whitbread, coupled with a confident statement, cheered the market. The shares hardened 9 to 629p. Volume had reached 2.8m by the close.

Also boosted by favourable figures was business services group BET. The shares put on 3¼ to 129½p.

MEPC, the UK's second largest property company, which announced a US acquisition earlier this week, rose 9 to 385p. Kleinwort Benson was said to have upgraded its recommendation from "underweight" to "hold". The broker was also said to be positive on British Land, up 6 at 368p.

Other property issues in demand included Hammerson, ahead 8 at 335p, and Slough Estates, up 8 at 204p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26	Yr ago	*High	*Low
Ordinary Share	2578.6	2589.5	2579.4	2585.5	2571.3	2355.4	2666.6	2238.3
Ord. div. yield	4.13	4.11	4.12	4.15	4.13	4.38	4.73	4.02
P/E ratio net	15.51	15.57	15.51	15.43	15.57	18.30	21.33	15.35
P/E ratio nil	15.32	15.38	15.32	15.24	15.38	17.99	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2580.1	2574.1	2575.9	2570.1	2575.4	2576.8	2578.4	2575.1	2579.3	2580.9	2569.7

	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26	Yr ago
SEAQ bargains	24,478	24,888	24,332	25,499	24,187	19,193
Equity turnover (£m)†	-	1182.4	883.0	1696.1	1547.2	1199.8
Equity bargains†	-	29,353	28,115	29,782	29,523	27,522
Shares traded (mil)†	-	486.6	467.0	589.0	645.3	471.6

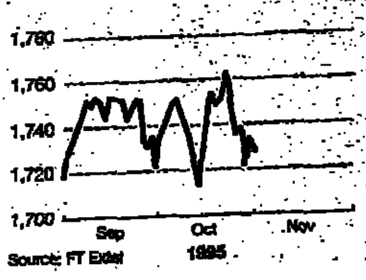
†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	402	Total Highs	54	Total contracts	18,491
Total Falls	802	Total Lows	61	Calls	10,639
Same	1,675			Puts	7,852

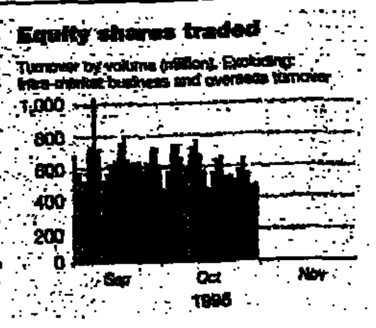
Nov. 1 *Data based on Equity shares listed on the London Share Service.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3518.7	-10.4
FT-SE Mid 250	3888.5	-5.8
FT-SE-A 350	1751.3	-4.6
FT-SE-A All-Share	1729.55	-4.59
FT-SE-A All-Share yield	3.87	(3.86)
FT Ordinary Index	2578.6	-10.9
FT-SE-A Non Fins p/e	18.80	(16.86)
FT-SE100 Fut Dec	3539.0	-2.0
10 yr Gilt yield	7.89	(7.93)
Long gilt/equity yld ratio:	2.12	(2.14)

Best performing sectors

1. Life Assurance .... +3.0
2. Property .... +1.2
3. Oil, Integrated .... +0.9
4. Mineral Extraction .... +0.7
5. Paper, Pkg.& Printing .... +0.5

Worst performing sectors

1. Retailers, Food .... -3.1
2. Distributors .... -2.2
3. Gas Distribution .... -2.2
4. Other Servs.& Business .... -1.1
5. Leisure & Hotels .... -1.1

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3525.0	3539.0	-2.0	3543.0	3511.0	8253	54887
Mar	3552.0	3567.0	-2.0	3552.0	3552.0	176	3332
Jun		3572.0	-2.0			0	134

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3910.0	-			0	3537

FT-SE 100 INDEX OPTION (LIFFE) (*3518) £10 per full index point

	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P
Nov	183½	5	137½	8	94	14½	58	28	29	52½	12½	88½	4	136	1	186
Dec	208½	17	167	25½	128½	38½	94½	58	64	78	42½	107½	25½	144	14½	187
Jan	228½	29½	191	42	153½	55½	123½	75½	94	98	72	127	52	159	37½	197
Feb	247½	40	210	51	175	66	144½	88	114½	107½	92	136½	68½	166	53½	202½
Jun†			259½	95½			195½	133½			144	181			169	238½

Calls 1,744 Puts 1,908

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	3675 P	3725 C	3725 P
Nov	158	5	112½	9	72	18½	40	36	18½	64	7	102½	2½	148	1	196
Dec	184	21½	143	30	107	44	76½	62½	50½	86	38½	116	17	152	10	194
Jan	210½	37	171½	47½	137	62	106	80	79	103	57	130	40	162	27½	199
Mar			206	67½			141	100			89	145½			53	207
Jun†			242	101½			184	139			134	184½			82	238

Calls 1,688 Puts 1,998 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.27	33	32	Do Warrants	32½		-	-	-	-
-	F.P.	2.13	10	9	†Arion Props	9	-1	v-	-	-	-
-	F.P.	4.50	50	50	†Cherwell Intl	50		v-	-	-	-
50	F.P.	15.0	71	50	Consolidated Coal	68		-	-	-	-
-	F.P.	37.4	139	102	†Creos Intl	104		-	-	-	-
-	F.P.	42.0	101	100	Fleming Jpn C.	100		-	-	-	-
-	F.P.	0.56	28	17	German Sml Wts	17		-	-	-	-
-	F.P.	94.0	94	92	Guinness Flight	94		-	-	-	-
-	F.P.	194.0	194	189	Do Units	194		-	-	-	-
-	F.P.	2.40	13	10	Do Warrants	12		-	-	-	-
-	F.P.	5.55	40	25	Hay & Robertson	37	-1	v-	-	-	-
-	F.P.	11.7	119	112	†Indpt Radio	117		v-	-	-	-
-	F.P.	22.4	543	488	†Intl Greetings	533	-10	-	-	-	-
45	F.P.	17.8	61	52	†MultiMedia	61	+1	v-	-	-	-
-	F.P.	18.9	105	100	Murray Vct	103		-	-	-	-
-	F.P.	14.6	100	98	Northern Venture	100		-	-	-	-
400	F.P.	3.82	400	400	†Preston Nth End	400		v-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 31	% chg on day	Oct 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1722.93	0.0	1723.25	2155.91	2.09	-	2156.91	1637.91
Regional Indices								
Africa (16)	2309.51	+1.6	2272.74	3502.31	4.40	20.05	3503.35	2272.74
Australasia (6)	2196.49	-1.3	2224.34	2831.09	2.31	24.15	2831.09	1788.20
North America (12)	1488.94	-0.5	1496.98	1658.06	0.90	42.73	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 1	Day's chge%	Oct 31	Oct 30	Oct 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3518.7	-0.3	3529.1	3510.0	3497.9	3081.3	4.02	2.08	14.93	126.53	1396.18
FT-SE Mid 250	3888.5	-0.2	3894.3	3882.5	3864.3	3522.0	3.52	1.84	19.34	121.40	1514.57
FT-SE Mid 250 ex Inv Trusts	3909.5	-0.1	3914.8	3904.5	3887.4	3522.5	3.65	1.90	18.06	126.93	1522.71
FT-SE-A 350	1751.3	-0.3	1755.9	1747.3	1740.8	1545.4	3.91	2.03	15.72	61.11	1420.29
FT-SE-A 350 Higher Yield	1750.2	-0.1	1752.8	1743.5	1737.5	1549.4	4.95	1.82	13.85	77.08	1177.54
FT-SE-A 350 Lower Yield	1756.9	-0.4	1763.5	1755.7	1748.7	1501.5	2.83	2.42	18.30	43.86	1189.84
FT-SE SmallCap	1934.86	-0.3	1940.49	1940.76	1938.52	1778.88	3.36	1.66	22.36	54.47	1558.11
FT-SE SmallCap ex Inv Trusts	1921.07	-0.3	1927.23	1929.43	1929.79	1749.24	3.58	1.74	20.10	57.29	1555.16
FT-SE-A ALL-SHARE	1729.55	-0.3	1734.14	1726.29	1720.27	1530.92	3.87	2.01	16.07	59.46	1425.61

FT-SE Actuaries All-Share

	Nov 1	Day's chge%	Oct 31	Oct 30	Oct 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2899.16	+0.7	2877.95	2854.21	2850.05	2723.00	3.89	2.09	15.40	105.02	1215.08
12 Extractive Industries(7)	4017.98	+0.2	4008.17	4040.36	4022.92	3891.84	3.68	2.51	13.52	143.77	1152.05
15 Oil, Integrated(3)	2900.33	+0.9	2874.47	2839.08	2836.83	2688.69	4.05	2.04	15.16	107.92	1244.55
16 Oil Exploration & Prod(13)	1879.97	+0.2	1877.16	1871.40	1868.27	1887.41	2.67	1.49	31.47	49.88	1115.89
20 GEN INDUSTRIALS(278)	1934.70	-0.2	1938.27	1934.81	1930.75	1853.54	4.27	1.83	15.98	71.11	1032.84
21 Building & Construction(38)	899.51	+0.1	898.30	906.27	897.95	1049.08	4.53	1.94	14.23	37.56	739.03
22 Building Matls & Merchs(31)	1666.98	-0.3	1672.77	1667.64	1659.57	1811.76	4.48	2.01	13.89	65.30	823.37
23 Chemicals(23)	2407.62	+0.2	2403.17	2406.83	2401.84	2289.79	4.00	1.89	16.53	80.65	1114.08
24 Diversified Industrials(20)	1749.99	-0.7	1761.80	1758.47	1757.40	1757.16	5.67	1.57	14.08	87.22	950.80
25 Electronic & Elect Equip(36)	2098.65	-0.1	2099.02	2103.03	2095.39	1863.12	3.57	1.98	17.67	61.51	1088.42
26 Engineering(69)	2130.28	-0.2	2136.47	2125.27	2128.51	1789.48	3.44	1.99	18.29	60.77	1267.14
27 Engineering, Vehicles(13)	2537.97	+0.4	2528.45	2509.44	2497.80	2247.00	3.68	1.17	29.00	92.33	1292.40
28 Paper, Pckg & Printing(27)	2897.99	+0.5	2882.59	2883.24	2852.84	2788.66	3.45	2.49	14.58	87.77	1182.97
29 Textiles & Apparel(21)	1499.57	-0.4	1505.75	1515.87	1520.48	1570.36	4.80	1.79	14.58	52.57	887.51
30 CONSUMER GOODS(91)	3453.52	-0.2	3459.91	3461.92	3449.14	2729.21	3.90	1.82	17.64	119.49	1247.61
31 Breweries(18)	2638.56	+0.4	2628.34	2614.36	2604.72	2247.37	3.79	1.98	16.64	62.79	1234.25
32 Spirits, Wines & Ciders(10)	2895.58	-0.4	2906.79	2882.74	2875.87	2839.14	4.13	1.84	16.42	107.13	1018.21
33 Food Producers(24)	2486.83	-0.5	2498.92	2500.85	2480.03	2276.26	4.07	1.80	17.06	83.82	1095.28
34 Household Goods(11)	2608.53	-0.6	2623.98	2631.81	2623.79	2417.58	3.67	2.20	15.47	88.72	978.53
36 Health Care(17)	1953.58	-0.4	1961.18	1976.25	1974.96	1613.24	2.86	1.83	25.67	48.10	1171.75
37 Pharmaceuticals(10)	4754.64	-0.1	4757.57	4771.74	4751.83	2989.91	3.47	1.70	21.15	163.87	1585.32
38 Tobacco(1)	4387.92	-0.2	4396.39	4434.51	4447.21	3640.85	5.47	1.90	12.07	229.23	1061.57
40 SERVICES(226)	2131.31	-1.0	2153.00	2144.87	2133.92	1906.48	3.14	2.05	19.43	59.74	1088.11
41 Distributors(30)	2618.84	-2.2	2678.70	2663.55	2661.96	2495.38	3.80	1.77	18.61	90.79	949.11
42 Leisure & Hotels(29)	2470.71	-1.1	2497.22	2486.00	2470.09	2031.79	3.25	1.64	20.89	73.67	1265.57
43 Media(43)	3353.97	-0.6	3374.37	3339.78	3303.85	2860.57	2.17	2.40	24.01	77.87	1199.09
44 Retailers, Food(16)	1983.15	-3.1	2047.28	2055.91	2032.68	1725.72	3.85	2.39	14.32	68.55	1232.88
45 Retailers, General(44)	1750.69	-0.6	1761.36	1753.01	1755.81	1829.36	3.35	2.13	17.55	50.38	981.88
48 Support Services(37)	1830.70	+0.1	1828.26	1826.67	1815.34	1513.86	2.51	2.41	20.63	38.97	1148.50
49 Transport(20)	2187.96	----	2189.01	2189.16	2190.85	2252.07	3.94	1.29	24.63	72.68	892.94
51 Other Services & Business(7)	1175.86	-1.1	1188.55	1189.17	1191.48	1238.60	4.40	1.40	20.21	38.30	1052.55
60 UTILITIES(36)	2485.17	-0.5	2497.03	2480.38	2468.22	2462.18	4.80	2.00	13.57	95.19	1015.12
62 Electricity(14)	2794.05	-0.5	2808.81	2802.98	2797.54	2586.39	3.98	2.92	10.75	116.16	1243.22
64 Gas Distribution(2)	1570.04	-2.2	1605.23	1592.43	1592.43	1932.85	7.68	0.65	25.25	119.82	787.71
66 Telecommunications(7)	2071.90	-0.1	2073.45	2051.65	2032.58	2052.96	3.96	1.71	18.49	51.48	821.53
68 Water(13)	2061.31	-0.5	2070.86	2061.26	2059.17	1939.02	5.60	2.73	8.19	85.07	1095.59
69 NON-FINANCIALS(654)	1832.78	-0.3	1839.11	1833.25	1826.63	1653.45	3.89	1.93	16.60	62.79	1358.96
70 FINANCIALS(113)	2728.39	+0.1	2725.95	2698.09	2691.75	2175.88	4.08	2.45	12.50	103.73	1139.27
71 Banks, Retail(9)	3779.92	-0.5	3798.82	3751.96	3752.83	2859.06	3.85	2.81	11.54	140.81	1192.19
72 Banks, Merchant(6)	3588.32	-0.3	3598.16	3524.02	3508.98	2718.11	2.59	2.74	17.64	91.76	1120.74
73 Insurance(25)	1381.37	-0.1	1382.99	1378.75	1369.82	1250.88	5.34	2.69	8.71	72.25	1011.45
74 Life Assurance(6)	3348.82	+3.0	3250.35	3222.72	3184.69	2358.59	4.17	1.53	19.56	136.72	1364.36
77 Other Financial(22)	2396.99	-0.1	2399.28	2392.27	2384.00	1838.81	3.68	1.94	17.45	62.49	1335.26
79 Property(45)	1377.07	+1.2	1361.33	1345.83	1344.09	1463.49	4.50	1.33	20.83	46.43	825.30
80 INVESTMENT TRUSTS(133)	2899.25	-0.2	2904.89	2886.28	2868.08	2721.45	2.28	1.06	51.53	55.23	999.06
89 FT-SE-A ALL-SHARE(906)	1729.55	-0.3	1734.14	1726.29	1720.27	1530.92	3.87	2.01	16.07	59.46	1425.61
FT-SE-A Fledgling	1073.40	-0.2	1075.55	1074.63	1074.06	-	2.84	1.28	34.32	28.57	1104.12
FT-SE-A Fledgling ex Inv Trusts	1073.49	-0.2	1076.00	1075.39	1075.16	-	2.98	1.34	31.31	27.51	1103.29

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3517.4	3510.7	3513.3	3503.2	3510.6	3511.7	3512.7	3510.1	3518.4	3518.9	3502.5
FT-SE Mid 250	3889.4	3888.3	3888.0	3884.7	3886.0	3886.3	3886.7	3886.5	3888.3	3889.5	3884.7
FT-SE-A 350	1750.8	1748.2	1749.2	1744.9	1747.9	1748.3	1748.8	1747.7	1751.2	1754.6	1744.6

Time of FT-SE 100 Day's high: 4.19pm Day's low: 10.51am . FT-SE 100 1995 High: 3593.0(18/10) Low: 2954.2 (23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	884.8	884.8	885.6	885.1	887.0	887.8	887.8	888.1	887.9	887.8	887.5	+0.3
Pharmaceuticls	4695.1	4678.9	4699.1	4685.5	4694.2	4692.1	4692.7	4688.8	4696.1	4701.3	4704.5	-3.2
Water	2058.9	2054.8	2054.0	2055.2	2057.2	2057.6	2058.9	2057.4	2057.2	2056.4	2065.9	-9.5
Banks, Retail	3839.3	3831.9	3829.8	3812.8	3822.6	3822.6	3824.2	3814.3	3828.1	3828.2	3847.1	-18.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

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TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	82	409	
ASDA Group†	23,000	99¾	-2¾
Abbey National†	2,800	529	-6½
Albert Fisher	93	51	
Allied Domecq†	1,400	509	-2
Anglian Water	106	564	+1
Argos	1,800	512	+1
Argyll Group†	7,400	312	-10
Arjo Wiggins†	1,100	234½	+½
Assoc. Brit. Foods†	251	704	+½
Assoc. Brit. Ports	460	306	+1
BAA†	811	490	-2
BAT Inds.†	8,100	516	-1
BET	19,000	129½	+3½
BICC	882	282	-2
BOC†	830	867	-2
BP†	5,200	471	+5½
BPB Inds.	481	279	
BSkyB†	2,300	375	-3
BT†	4,500	378½	
BTR†	8,100	335½	-½
Bank of Scotland†	288	249	-3
Barclays†	2,200	738	-5
Bass†	449	663	
Blue Circle†	6,800	287	-4
Booker	215	377	-3
Boots†	1,700	581	-6
Brit. Aerospace†	1,800	709	
British Airways†	2,700	457½	+2½
British Gas†	16,000	235½	-5½
British Land	2,700	368	+6
British Steel†	2,000	163	-½
Bunzl	889	203	+2
Burmah Castrol†	106	985	
Burton	1,400	100	-1
Cable & Wire†	3,500	412	-2
Cadbury Schweppes†	1,700	520	-3
Caradon	1,600	197	-1
Carlton Comms.†	575	983	-1
Coats Viyella	2,900	187	
Comm. Union†	1,200	614	+1
Compass	1,200	429	-1
Cookson†	1,300	293	
Courtaulds†	498	388	+1
Dalgety	360	422	-3
Danka	79	530	
De La Rue†	373	908	+6
Dixons	857	394	+1
East Midland Elect.	179	880	-9
Electrocomps	105	324	
Eng China Clays	138	343	+1
Enterprise Oil†	1,300	339	+4
Eurotunnel Units	809	90	-5
FKI	118	163	
Fisons	33	264	
Foreign & Col. I.T.	909	148	
Forte†	1,000	249	-3
Gen. Accident†	782	648	+1
General Elect.†	5,200	314	
Glaxo Wellcome†	3,700	855	+1½
Glynwed	118	334	-2
Granada†	1,800	668	-8
Grand Met.†	1,800	436	-2
GUS†	757	572	+1
GRE†	3,200	231	+2
GKN†	657	806	-1
Guinness†	1,700	506	-1
HSBC (75p shs)†	740	936	-5
Hammerson	588	335	+8
Hanson†	16,000	190	-3¼
Harrisons Crosfield	509	148	+1
Hays	1,200	367	+2
Hillsdown	415	166	-2
IMI	220	339	-3
ICI†	1,400	781	+7
Inchcape†	3,600	298	-15
Johnson Matthey	437	609	+3
Kingfisher†	2,800	478	+3
Kwik Save	622	678	-16
Ladbroke†	432	163	-3
Land Securities†	900	586	+5
Laporte	144	833	
Legal & General†	1,700	684	+½
Lloyds Abbey	1,300	460	+2
Lloyds Bank†	6,100	786	+7
LASMO†	4,700	153	-1
London Elect.†	459	885	-17
Lonrho	2,300	154½	-2
Lucas	3,200	197	+5
MEPC	733	385	+9
MFI	2,500	141	-1
Marks & Spencer†	6,500	417	-7
Mercury Asset Man.	46	923	-1
Midlands Elect.†	24	965	+1
Morrison (Wm.)	2,900	148	-1
NFC	2,100	156	-1
NatWest Bank†	2,400	625	-7
National Power†	702	482	-1
Next	1,300	407	-3
North West Water†	836	595	
Northern Elect.	272	990	-8
Northern Foods	1,400	180	-5
Norweb	36	1155	
Pearson†	453	626	-1
P & O†	3,200	495	+3
Pilkington	3,300	190	+1
PowerGen†	1,600	699	+1
Prudential†	10,000	414	+18
REXAM†	1,100	414	+9
RMC†	240	1007	-15
RTZ†	875	878	+3
Racal	408	253	
Rank Org.†	1,600	420	-1
Reckitt & Colman†	527	668	-5
Redland†	941	350	+1
Reed Intl.†	720	967	+5
Rentokil†	1,500	314	-1
Reuters†	1,600	578	-10
Rolls Royce†	5,400	192	-2
Ryl Bk Scotland†	673	508	-5
Royal Insurance†	1,200	393	+2
Sainsbury†	12,000	403	-21
Schroders†	23	1340	-6
Scottish & New.†	1,800	587	
Scot. Hydro-Elect.	305	397	-9
Scottish Power†	8,100	349	-1
Sears†	11,000	104	+2½
Sedgwick	746	105	-1
Seeboard	393	514	-5
Severn Trent†	425	638	-5
Shell Transport†	42,000	745½	+4½
Siebe†	488	750	-2½
Slough Ests	2,000	204	+8
Smith (W.H.)	1,700	380	
Smith & Nephew†	1,800	193½	-1
SmKl Beecham†	1,800	659	-1½
SmKl Beecham Uts.†	615	646	-2
Smiths Inds.	1,600	591	+11
Southern Elect.†	1,900	951	-2
South Wales Elect.	41	912	-1
South West Water	314	496	-3
Southern Water	280	673	-8
Standard Chartd.†	3,800	515	-8
Storehouse	1,700	288	-2
Sun Alliance†	1,900	372	-6
T&N	782	143	-½
TI Group†	908	432	-1½
TSB†	2,200	378	+3
Tarmac	4,100	95	-1
Tate & Lyle†	2,700	433	+4
Taylor Woodrow	199	108	-1
TeleWest	411	177	
Tesco†	15,000	293	-7
Thames Water†	430	526	-1
Thorn EMI†	674	1451	-22
Tomkins†	2,500	249	-½
Trafalgar House	3,700	22¼	
Unigate	131	417	-2
Unilever†	865	1236	-3
United Biscuits	1,100	268	-5½
Utd. News & Media	297	617	-1
Vodafone†	1,300	282	+1
Welsh Water	281	750	-3
Wessex Water	55	327	-8
Whitbread†	2,800	629	+9
Williams Hldgs.†	292	374	+½
Wills Corroon	489	126	
Wimpey	5,000	102	
Wolseley†	1,100	396	+6
Yorkshire Elect.	464	884	-3
Yorkshire Water	73	613	-2
Zeneca†	1,200	1175	-3½

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 31 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 31 / Frs.)

[illegible]

CZECH REP (Nov 1 / Koruna)

[illegible]

DENMARK (Nov 1 / Kr)

[illegible]

FINLAND (Nov 1 / Mks)

[illegible]

FRANCE (Oct 31 / Frs.)

[illegible]

GERMANY (Nov 1 / Dm.)

[illegible]

GREECE (Nov 1 / Drachma)

[illegible]

ITALY (Oct 31 / Lira)

[illegible]

NETHERLANDS (Nov 1 / Fls.)

[illegible]

NORWAY (Nov 1 / Kroner)

[illegible]

POLAND (Oct 31 / Zloty)

[illegible]

PORTUGAL (Oct 31 / Escudo)

[illegible]

SPAIN (Oct 31 / Pts.)

[illegible]

SWEDEN (Nov 1 / Kronor)

[illegible]

SWITZERLAND (Nov 1 / Frs.)

[illegible]

TURKEY (Nov 1 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Nov 1 / Yen)

[illegible]

HONG KONG (Oct 31 / H.K.$)

[illegible]

INDONESIA (Nov 1 / Rupiah)

[illegible]

MALAYSIA (Nov 1 / MYR)

[illegible]

NEW ZEALAND (Nov 1 / NZ $)

[illegible]

SINGAPORE (Nov 1 / S$)

[illegible]

SOUTH KOREA (Nov 1 / Won)

[illegible]

TAIWAN (Nov 1 / TW $)

[illegible]

THAILAND (Nov 1 / Baht)

[illegible]

AUSTRALIA (Nov 1 / Aus$)

[illegible]

AFRICA

SOUTH AFRICA (Oct 31 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Nov 1 / Can $)

4 pm close

[illegible]

MONTREAL (Nov 1 / Can $)

4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Nov 1	Oct 31	Oct 30	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13288.84	13301.32	18531.18	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2055.7	2073.7	2067.5	2186.80	18/9	1823.30	8/2
All Mining(1/1/80)	927.9	937.0	935.9	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	(c)	335.98	330.44	385.42	2/1	328.59	27/10
Traded Index(2/1/91)	(c)	924.98	898.45	1058.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	(c)	1427.22	1422.72	1491.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	41284.0	40691.0	49612.09	19/9	4531.60	8/9
Canada							
Metals Minls‡(1975)	(u)	4825.10	4710.07	6282.77	21/8	3908.63	1/3
Composite‡ (1975)	(u)	4459.20	4379.80	4710.08	12/7	3991.41	30/1
Portfolio§§ (4/1/83)	(u)	2188.97	2172.43	2307.81	12/7	1958.35	30/1
Chile							
IGPA Gen¥(31/12/80)	(c)	5912.6	5953.3	6363.10	11/7	4578.90	9/3
Denmark							
CopenhagenSE(3/1/83)	357.08	357.91	357.06	375.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1927.09	1928.35	1934.74	2332.22	14/9	1856.30	29/3
France							
SBF 250 (31/12/90)	(c)	1300.36	1190.83	1322.30	12/5	1164.41	17/23
CAC 40(31/12/87)	(c)	1814.01	1795.34	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	783.09	781.78	777.82	848.76	19/9	708.87	30/3
Commerzbank(1/12/53)	2265.5	2260.5	2248.0	2427.80	19/9	2018.70	30/3
DAX (30/12/87)†	2163.22	2167.91	2146.11	2317.01	15/9	1910.98	28/3
Greece							
Athens SE(31/12/80)	923.34	926.21	931.95	992.59	4/8	787.15	18/3
Hong Kong							
Hang Seng(31/7/64)	(c)	9782.39	9672.39	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3498.50	3423.47	3419.45	3932.09	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	467.99	488.45	490.81	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2112.96	2109.47	(c)	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	(c)	581.31	580.40	680.54	10/2	555.09	23/10
MIB General (2/1/95)	(c)	916.0	917.0	1076.08	10/2	877.90	23/10
Japan							
Nikkei 225 (16/5/49)	17474.49	17654.64	17509.17	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	262.60	264.56	261.88	288.16	4/1	222.26	13/6
Topix (4/1/68)	1405.95	1411.14	1398.38	1583.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1876.84	1864.85	1858.01	2130.66	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	941.78	957.61	954.77	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(c)	2302.01	2348.64	2822.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	497.1	495.1	489.2	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	301.3	300.0	298.5	311.30	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2170.50	2179.36	2188.11	2208.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1215.20	1219.44	1212.36	1282.16	18/10	1038.00	10/3
Philippines							
Manila Comp (2/1/85)	(c)	2460.73	2470.82	2958.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	(c)	2569.0	2571.9	2911.60	9/1	2585.98	25/10
Singapore							
SES All-S'pore(2/4/75)	509.35	512.19	510.09	595.06	5/1	472.90	23/1
South Africa							
JSE Gold (28/9/78)	(c)	1270.7♥	1250.2	2022.99	2/1	1250.29	30/10
JSE Ind. (28/9/78)	(c)	7610.2♥	7482.5	7598.20	26/10	6222.80	31/1
South Korea							
KoreaCmpEx(4/1/80)**	997.52	980.26	982.87	1027.37	2/1	847.89	27/5
Spain							
Madrid SE (30/12/85)	(c)	296.21	294.50	318.98	13/9	283.30	28/8
Sweden							
AffarsvardsGen (1/2/37)	1697.9	1714.2	1723.2	1872.10	19/9	1499.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1430.05	1423.89	1406.26	1437.89	18/10	1174.83	13/3
SBC General (1/4/87)	1073.44	1069.31	1056.01	1079.62	18/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4801.66	(c)	4817.04	7051.49	5/1	4603.37	14/8
Thailand							
Bangkok SET (30/4/75)	1285.64	1270.76	1273.53	1472.04	10/7	1135.88	16/3
Turkey							
Istanbul Comp.(Jan 1986)	44824.2	46324.6	48531.1	54683.90	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)§	889.7*	891.8	889.9	789.80	28/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1403.39	1398.80	1387.73	1480.69	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1271.98	1268.72	1258.47	1316.98	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	330.05	328.06	349.47	14/7	262.07	23/1
Barings Emerg.(7/1/92)	140.31	141.12	141.20	158.87	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index) Oct 31							
Oct	1805.0	1819.1	-	1823.0	1797.0	20,620	10,517
Nov	1814.0	1825.0	-	1830.0	1806.5	24,573	24,436
DAX							
Dec	2165.5	2183.5	+17.0	2195.0	2161.5	16,407	97,921
Mar	2190.0	2214.0	+17.5	2215.0	2198.0	138	6,881

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
OMX							
Oct	1382.00	1344.50	-20.50	1382.00	1344.00	4,937	16,587
Nov	1363.75	1363.75	-8.25	1363.75	1363.75	10	70
SOFFEX							
Oct	3100.0	3134.8	+22.8	3135.0	3082.0	6,757	16,842
Nov	3100.0	3138.0	+21.5	3114.0	3100.0	159	1,698

** Sat Oct 28: Taiwan Weighted Price 4897.35, Korea Comp Ex 992.05. Base values of all indices are 100 except Australia All Ordinary and Mining – 500, Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 1 - 2182.11 +16.35.

US INDICES

Dow Jones	Oct 31	Oct 30	Oct 27	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4755.48	4756.57	4741.75	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.71	103.74	103.60	104.64 (16/10)	93.83 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1936.12	1926.55	1904.24	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	214.54	216.12	215.99	218.98 (25/10)	183.03 (3/1)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4821.98 (4798.84) Low 4735.97 (4716.48) (Theoretical◆)
Day's high 4801.00 (4785.60) Low 4735.49 (4741.75) (Actual◆)

Standard and Poors	Oct 31	Oct 30	Oct 27	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	581.50	583.25	579.70	590.65 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials♥	683.99	686.20	680.79	691.54 (19/10)	546.39 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	57.46	57.71	57.96	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	309.61	310.14	308.63	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	521.67	516.14	514.40	553.58 (12/9)	433.12 (6/1)	553.88 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1036.06	1039.69	1025.55	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 27	Oct 20	Oct 13	Year ago
Dow Jones Ind. Div. Yield	2.46	2.42	2.42	2.70
	Oct 25	Oct 18	Oct 11	Year ago
S & P Ind. Div. yield	2.08	2.10	2.09	2.39
S & P Ind. P/E ratio	17.95	17.88	17.74	20.82

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
K-Mart	11,136,300	8¼	-⅛
Ford Motor	7,437,600	28¾	-⅜
Chilgener	5,489,600	23⅞	---
Wal-Mart	5,301,000	21¾	-⅛
Micron Tech	4,819,300	70⅝	-1½
Compaq	4,647,700	55⅝	+1
Barrick Gold	3,839,000	23	-¾
Telefonos	3,730,000	27⅝	-1
Motorola	3,112,100	65¾	+⅞
Total Renal	3,085,900	21	+5½

■ TRADING ACTIVITY

● Volume (million)

	Oct 31	Oct 30	Oct 27
New York SE	375.699	318.841	378.806
Amex	19.633	13.072	16.317
NASDAQ	481.285	425.692	449.283
NYSE			
Issues Traded	3,053	3,043	3,025
Rises	1,142	1,286	1,145
Falls	1,202	982	1,077
Unchanged	709	775	803
New Highs	81	69	20
New Lows	57	46	81

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	583.85	585.65	+1.80	586.10	582.40	79,410	199,195
Mar	588.00	590.20	+1.50	590.80	588.00	1,185	12,253

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Dec	17560.0	17490.0	-180.0	17570.0	17410.0	21,011	154,884
Mar	17680.0	17480.0	-220.0	17680.0	17480.0	2,022	7,173

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 1, 1995.

	Stocks Traded	Closing Prices	Change on day
Nikon Corp	8.5m	1,500	+40
Mitsubishi Hvy	6.9m	794	+5
Takara Shuzo	6.6m	875	-21
Toho Zinc	6.0m	558	-9
NHK Spring	4.5m	530	+10
Nippon Steel	4.3m	337	-2
Toyo Sugar Refing	3.9m	498	+13
Taito	3.9m	599	+69
Bunka Shutter	3.3m	895	-23
NEC Corp	3.2m	1360	+10

4 pm close November 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
18	12⅛	AAR x	0.48	2.7	24	40	17¾	17⅝	17¾	
46¼	35	AMP	0.92	2.4	20	4644	39⅛	38⅝	39	-¼
80¼	53⅞	AMR			15	7388	87⅛	85¾	86⅞	+⅞
47⅞	36⅛	ASA	1.71	4.6	24	233	37½	37¼	37⅛	+⅛
44⅞	30¾	AbbtLL	0.84	2.1	19	10125	40⅛	39¼	39½	-¾
18⅞	12	AbitibI Pr	0.40	2.3	8	858	17½	17⅛	17⅛	-⅜
27⅞	21	ABM Ind	0.60	2.2	14	25	26⅞	26½	26¾	+¼
17½	13½	Acceptcein			10	50	15⅛	14⅞	15⅜	+⅜
35⅞	21⅞	ACE Ltd	0.56	1.6	8	624	34⅞	33½	34¼	+¼
9⅞	8⅛	ACM Gvt In	0.90	9.4	8	128	9⅝	9½	9⅝	+⅛
7¾	6½	ACM GvOpp	0.66	9.1		125	7⅜	7¼	7¼	-⅛
7½	5¾	ACM Gvt Sp	0.75	10.7		284	7⅛	6⅞	7	+⅛
8¾	7⅛	ACM Gvt Se	0.90	10.3		203	u8¾	8⅝	8¾	+⅛
9½	7⅝	ACM Man	0.90	10.3		90	8¾	8⅝	8¾	
23¼	10¼	AcmeClv x	0.48	2.2	10	92	21¾	21⅜	21⅝	-¼
38¾	8¼	Acme Elect			71	51	8¾	8½	8⅝	
34½	23¾	Acordia	0.72	2.6	14	160	27½	27½	27½	
19½	8⅝	Actava	0.36	1.9	13	682	18¾	17⅜	18⅝	+1¼
16¾	10⅛	Acuson			37	89	11⅞	11⅝	11⅞	+¼
18⅞	15⅝	Adams Expr	0.48	2.6	0	200	18⅝	18½	18½	
38⅞	23⅝	AdvMic			7	15673	27⅜	d22¼	22¾	-1⅛
9½	5	Advest Grp	0.16	1.7	13	128	u9¾	9¼	9⅝	+⅛
25¾	16½	Advo Inc	0.10	0.4	19	571	25⅝	25¼	25½	
38½	24	80 Aegon	1.28	3.3	21	38	d38½	38⅜	38½	+⅛
[illegible]										

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- E -

[illegible]

- F -

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NYSE

AMEX

Have your F

Financial Times.

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4 pm close November 1

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
28¾	20½	Scana Corp	1.44	5.6	16	2498	25⅝	25⅜	25½	+⅛
18	14½	Scecrp	1.00	5.8	10	3000	17¼	17	17⅛	+⅛
11¾	6⅛	SchwabA x	0.26	4.0	11	27	6⅝	6⅜	6½	-⅛
60¼	37¼	ScheringP			23	1600	45	44	44⅛	-⅝
35⅝	35½	SchPl x	1.16	2.1	19	7040	54⅝	53¼	54¼	+⅝
69⅝	60½	Schlmb	1.50	2.4	23	3940	63⅛	62⅛	62⅞	+½
29	11¾	SchwabC	0.16	0.7	26	5583	24⅝	22¾	24¼	+1⅜
24⅞	11⅜	SciAtl	0.06	0.5	17	1886	12¾	12⅜	12⅝	+¼
20	15¼	Scotman	0.10	0.6	10	66	16⅜	16¼	16⅜	+⅛
54⅛	33½	ScottP	0.40	0.8	14	3261	53½	52⅛	52⅞	-1⅛
38	26⅞	Scripps	0.52	1.4	26	819	d38	37⅝	38	+¼
21½	14	ScuddrNAsF	0.02	0.1		86	14⅜	14⅝	14⅝	
11⅞	8⅝	ScuddrNEurF x	0.16	1.5		671	10½	10⅜	10½	+¼
20	13⅜	SeaCntB	0.70	3.9	1	12	18	17⅞	18	
18¼	14⅝	SeaC1.4625	1.46	9.4		3	15⅝	15⅝	15⅝	
49⅛	23⅝	S'gate			9	7563	46⅜	44¼	46⅜	+1⅝
38⅛	26⅝	Seagrm	0.60	1.7	24	4159	36⅛	35⅝	35¾	-¼
22½	15¼	Seagull En			56	1381	17⅜	16⅞	16⅞	-¼
29¾	18	Sealed Air			23	1328	28⅞	28¼	28¼	-⅛
37⅝	30⅝	SearsR	0.92	2.6	8	7589	34⅞	33⅞	34⅞	+⅞
19¾	16⅜	SecCapGBI x	1.15	6.6	20	1161	17⅝	17¼	17½	-⅛
12⅝	10⅜	Seligm Sel	0.84	6.9		65	12⅛	12⅛	12⅛	
38¾	20	Sensormat x	0.22	1.0	23	6803	22⅝	21¼	22⅜	+1
31⅞	21⅞	SequaA	0.60	2.3	8	142	28½	25⅞	26⅛	+⅜
35⅛	23	SequaB	0.50	1.6	16	2	31¾	31¾	31¾	
40⅞	28¼	ServCp	0.44	1.1	23	1778	40⅛	39	39¼	-⅞
28⅝	21½	SvMstr x	0.96	3.4	13	832	28½	28¼	28¼	-⅛
7⅞	4⅛	ServMerch			10	1153	5½	5⅜	5½	+⅛
67½	22½	SGSThm			53	2438	45¼	44½	44½	-¾
17⅞	12	Shaw Ind	0.30	2.3	14	1831	13⅛	12¾	13	+¼
36¾	16½	Shawmut Nt	0.88	2.6	13	13629	33⅞	33½	33½	-⅜
19⅝	7⅝	Shelby Wll x	0.28	2.3	43	11	12⅜	12¼	12¼	
75⅝	64¼	ShellTr	2.86	4.0	17	761	71⅜	71	71¼	
38	32	SherW	0.64	1.7	16	1112	37½	37	37¼	-⅜
13½	6⅞	Shoneys			13	1236	11¼	11⅛	11⅛	
24⅝	13½	Showboat	0.10	0.4	26	164	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 1

AMEX COMPOSITE PRICES

4 pm close November 1

AMERICA

Dow flat as indicators suggest slower growth

Wall Street

Although bonds moved sharply higher, US shares were mostly flat at midday as new data indicated that economic growth was slowing, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was up 0.36 at 4,755.12. The more broadly based Standard & Poor's 500 added 0.84 at 582.34 and the technology-rich Nasdaq composite 1.65 at 1,037.71. Volume on the NYSE was 222m shares.

Both the September index of leading economic indicators and the National Association of Purchasing Management's index of manufacturing activity in October fell, although economists had been anticipating modest increases.

There was also disappointment from the Federal Reserve's Beige Book, which is prepared in advance of the November 15 meeting of the Fed's Open Market Committee, that said that the economy had continued to grow in September and October, but at a slower pace than over the summer.

The weak economic news brought inflation wary bond investors into that market, and in the early afternoon bonds moved higher, with the benchmark 30-year Treasury up more than ¾ of a point and the yield down to 6.268 per cent.

Cigna added $4¼ at $103⅞ after the company reported stronger than expected third-quarter earnings on Tuesday after the market had closed. The US insurance group's net income was $283m, up from $151m last year.

Shares in Kulicke & Soffa, which makes semiconductor construction equipment, plunged $7⅞ or 22 per cent to $27¼ after the company said that it would delay a proposed stock offering because of a problem affecting the manufacture of one of its products.

W.R. Grace initially added $1½ after announcing late on Tuesday that it planned to cut more than 800 jobs as part of a cost-cutting move. By early afternoon, however, the shares had fallen from their session high and were trading $½ ahead at $56¼.

Boeing shares jumped $2⅜ or 3.6 per cent to $68 on news that Japan Airlines would buy five 777s from the Seattle-based manufacturer.

Canada

Toronto shrugged off early profit-taking to trade higher at midday. The TSE-300 composite index was 10.73 ahead by noon at 4,469.89, up from an early low of 4,444.99, in volume of 27.6m shares.

DMR Group surged C$1¼ to C$12⅝ after Amdahl increased its bid to C$12.50 from C$8.25, topping IBM Canada's C$11 a share offer.

Active issues included BCE, which gave up C$⅜ to C$44⅝. The stock traded strongly on Tuesday as a wave of buying sent shares in Quebec-based companies higher.

Nordic forestry at turning point

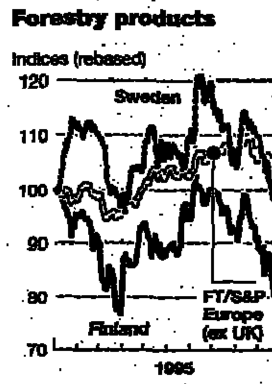
It has been a year of soaring prices and record earnings for Nordic forestry companies, but investors are now bailing out in droves, *writes Christopher Brown-Humes in Stockholm.*

The exodus has accelerated in recent weeks on evidence that the pulp and paper cycle is nearing its peak, together with greater uncertainty regarding next year's global economic outlook. The bearish mood has been exacerbated by the strength of the Finnish markka, and the surge in the Swedish krona.

The big surprise is how early negative sentiment took hold. Finnish forestry stocks peaked in January 1994, just as the price boom was beginning, and have since fallen by around 30 per cent. That puts them on a p/e ratio of around 3.4 for 1995, much lower than the 7.0 at the peak of the last cycle in 1989. The Swedish peak came later, mainly because the krona only started to pick up strongly from mid-1995; but the fall has been no less dramatic.

One reason for underperformance has been fear that the industry will repeat the mistakes of the last cycle, when it was over-investment, rather than falling demand, that led to the sharp drop in prices between 1991 and 1993.

Forestry products



Source: FT Extel

In fact, Mr Jukka Huuskonen of Arctos Securities in Helsinki says companies have ordered fewer new machines in the current upturn, increasing the likelihood of a soft landing when the cycle does turn downwards.

Nevertheless, the market could be at a turning point. The pace of price rises has clearly weakened after the steep increases earlier in the year. So investors remain nervous because it is not yet clear whether recent market weakness stems from inventory reductions, or a more fundamental weakening in underlying demand.

EUROPE

Dollar lifts Frankfurt

A rising dollar lifted FRANKFURT, the Dax index closing 16.35 higher at an Ibis-indicated 2,182.11, although turnover fell from DM6.4bn to DM3.9bn, reflecting the All Saints holiday.

A cut of just one basis point in the Bundesbank's repo rate did little for banks, which mostly underperformed.

However, it helped the dollar, and cyclicals. Hoechst rose another DM9 to DM377, finally topping Bayer's DM375.50. BASF was DM5.15 higher at DM313. In steels, Thyssen, weak on short-time working news on Tuesday, slid further to DM249.30, but finally closed DM3.20 higher at DM256.60.

ZURICH was spurred by renewed strength in the bond market after reports that some Swiss bond data were to be included in a new US index. The SMI index finished 20.3 ahead at 3,128.5.

UBS bearers initially sank SFr15 in response to the bank's nine-month statement before picking up to close SFr11 higher at SFr1,241. Mr Hans Kaufman at Bank Julius Baer in Zurich said that investors, eventually, concentrated on indications that full-year earnings would be higher, and not lower as had been suggested at the six-month stage.

The upbeat mood spilled over to other financials; Swiss Re remained on its upward path, picking up SFr8 to SFr1,250.

Ciba registered advanced another SFr22 to SFr1,005, taking the rise since Monday, when the group announced the spin-off of its Mettler Toledo weighing machines division, to 7.8 per cent.

Nestlé again benefited from the recent rash of brokers' recommendations, adding SFr11 at SFr1,201.

AMSTERDAM continued to like KLM after the airline's encouraging results on Tuesday, marking the shares up another Fl 2.10 or 4 per cent to Fl 54.20. The AEX index also had another satisfactory session, advancing 2.54 to 456.10, but turnover was below the daily average.

DSM had a technical rebound after disappointment with the chemical company's fourth-quarter forecasts on Tuesday, and the stock made Fl 1.80 to Fl 120.00. However, some analysts reiterated sell recommendations yesterday, noting that 1996 earnings would be affected by price pressure.

HELSINKI was boosted by an interest rate reduction, although this was partly countered by a strike by bank officials. The HEX index moved forward 10.29 to 1,927.09 in low turnover of FM218m. Nokia went against the trend, retreating FM4 to FM239.

ISTANBUL fell sharply during afternoon trading, triggered by negative political factors. The composite index lost 1,500.38 or 3.2 per cent to 44,824.26 as turnover fell to TL7,500bn from the previous session's TL11,780bn.

Brokers said that a parliamentary vote of confidence, due on Sunday, had increased the general uncertainty.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Nov 1 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1398.74	1397.54	1397.53	1399.31	1398.86	1399.67	1401.35	1403.39
FT-SE Eurotrack 200	1511.53	1510.49	1509.30	1511.59	1511.84	1513.42	1513.85	1515.16

	Oct 31	Oct 30	Oct 27	Oct 26	Oct 25
FT-SE Eurotrack 100	1398.80	1387.73	1383.93	1374.41	1373.87
FT-SE Eurotrack 200	1513.72	1500.44	1481.07	1499.34	1499.02

Base 1000 (26/10/90). High/day: 100 - 1403.39, 200 - 1516.17 Low/day: 100 - 1396.41 200 - 1509.57 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

Peso weakness affects Mexico

Mexico City fell steadily during the morning session as the peso came under renewed speculative attack.

By midsession the IPC index was off 36.28 or 1.6 per cent at 2,265.73. Traders said that the currency was suffering as investors bought the US dollar on worries over the country's inflationary outlook.

SAO PAULO had lost early gains by midday in thin turnover. The Bovespa index was down 356 at 40,928 by 1 pm.

Many analysts remained negative on the market's short-term direction and were concerned at the impact the launch of a level two ADR on Wall Street by Telebras would have on the overall market. The telecommunications company was up 1 per cent at R$39.40 by midsession.

BUENOS AIRES followed Mexico down and the Merval index was off 4.8 or 1.2 per cent at 402.02 by late morning. Traders said volume was well below the recent daily average.

● Bear Stearns cut its weighting on Argentine shares to 9 per cent from 11.5 per cent due to "short-term political and economic problems".

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: October 27 1995	Dollar terms: % Change over week	Dollar terms: % Change on Dec '94	Local currency terms: October 27 1995	Local currency terms: % Change over week	Local currency terms: % Change on Dec '94
Latin America	(252)	446.10	-7.7	-23.1			
Argentina	(30)	638.88	-5.2	-13.0	391,979.16	-5.2	-13.0
Brazil	(72)	308.37	-9.3	-19.8	1,109.23	-9.3	-8.9
Chile	(36)	748.09	+1.2	-4.6	1,246.59	+2.7	-1.1
Colombia[1]	(18)	585.63	-2.4	-27.8	1,032.44	-1.7	-13.6
Mexico	(67)	403.52	-9.0	-33.6	1,234.39	-3.4	-4.4
Peru[2]	(19)	178.17	-9.6	-0.1	247.12	-9.2	+3.9
Venezuela[3]	(12)	530.13	-2.5	+7.1	2,069.12	-2.5	+7.1
Asia	(677)	233.03	-0.6	-6.6			
China[4]	(20)	63.10	-4.3	-16.8	66.28	-4.3	-18.1
South Korea[5]	(159)	144.88	+1.1	+5.9	145.06	+0.9	+2.9
Philippines	(25)	249.16	-4.3	-16.4	312.60	-4.2	-11.0
Taiwan, China[6]	(93)	109.16	-0.2	-33.6	110.49	-0.3	-31.9
India[7]	(101)	87.87	-1.5	-28.8	110.64	-1.8	-19.6
Indonesia[8]	(42)	110.05	-2.1	+10.3	136.10	-1.8	+14.3
Malaysia	(114)	264.91	+0.1	-1.5	247.59	+0.4	-2.3
Pakistan[9]	(36)	271.77	+1.4	-25.8	392.66	+1.7	-23.2
Sri Lanka[10]	(19)	108.63	+1.6	-36.8	123.54	+1.8	-33.4
Thailand	(68)	376.13	-1.2	-1.9	375.29	-1.0	-1.8
Euro/Mid East	(209)	136.28	-1.4	+16.7			
Greece	(40)	253.31	-0.6	+12.3	396.28	-0.4	+7.8
Hungary[11]	(5)	119.55	-1.3	-21.2	188.22	-0.9	-8.9
Jordan	(8)	183.58	-1.4	+22.4	274.07	-2.0	+23.3
Poland[12]	(16)	441.46	-0.1	-5.9	678.80	+0.2	-5.7
Portugal	(27)	118.74	-1.3	-1.9	120.69	-1.3	-8.9
South Africa[13]	(64)	240.50	-1.3	+7.0	180.53	-1.6	-4.5
Turkey[14]	(44)	145.29	-2.9	+19.3	3,472.40	-2.1	+56.9
Zimbabwe[15]	(5)	264.34	+0.7	+8.0	358.72	+2.6	+19.0
Composite	(1138)	269.81	-2.9	-12.2			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

Kleiman International, the Washington-based independent analyst of emerging markets, reports that third-quarter performance in this asset class was very mixed, with some of the smaller markets showing the best returns, writes John Pitt.

The Cote D'Ivoire, for instance, which had a market capitalisation of just $430m at the end of 1994, and some 30 listed companies, showed a rise of more than 100 per cent in local currency terms over this period. Ms Elizabeth Morrissey, managing partner, says this was due to a combination of strong economic growth, a lower inflation rate, continued progress in the privatisation programme and the "passage of new laws to attract foreign investment".

"Overall," she adds, "performance nine months after the Mexican financial crisis remains mixed, with the Middle East and North African markets turning in the strongest US dollar performance for the year to date. However, foreign investors are clearly differentiating between markets, with top-down macroeconomic performance and political stability again the main factors in selection."

● Mexico's equity market has seen volatile trading recently, with losses towards the end of last week being recouped on Friday and Monday, only for selling pressure to resume once more a day later. The main reason for a return of uncertainty has been speculative pressure on the peso. Analysts are now waiting to see what influence the agreement between the government and unions signed last weekend (the *pacto*) will have on controlling inflationary pressures.

But the general feeling among the international investment community now appears to be that market volatility will continue until the year-end, particularly ahead of the budget, which is expected to be released by the middle of the month. One commentator said the *pacto* had bought the government some breathing space; but that after a few weeks, scepticism about its durability was likely to resurface. Furthermore, President Ernesto Zedillo was facing fresh political problems.

ASIA PACIFIC

Nikkei lower, Taipei in fifth consecutive fall

Tokyo

Lack of demand from foreign investors, after some late October window-dressing on Tuesday, left equities vulnerable to arbitrage unwinding. The Nikkei 225 average closed moderately lower in spite of the dollar's rise to the Y102 level, *writes Emiko Terazono in Tokyo.*

The key index was off 180.15 at 17,474.49 after fluctuating between 17,408.93 and 17,622.66. Buying by foreign brokers in the afternoon provided some support.

The Topix index of all first section stocks slipped 5.19 to 1,405.95 and the Nikkei 300 lost 1.07 at 263.49. Volume came to 321m shares, against 290m. Declines led rises by 608 to 394, with 162 issues unchanged. In London the ISE/Nikkei 50 index edged up 0.04 to 1,189.89.

Investors worried about large outstanding long arbitrage positions, currently totalling 2.1bn shares. Futures linked selling of cash stocks in the morning session averaged some 66,000 shares for each Nikkei 225 component.

The dollar's rise, meanwhile, supported high-technology issues, especially those related to semiconductor manufacturing equipment. Nikon, the most active issue of the day, climbed Y40 to Y1,500 on analysts' forecasts of record earnings for the next fiscal year.

Mitsumi Electric rose Y50 to Y2,520, backed by the company's leading share in the high-speed CD-ROM drive market. Sony, which had fallen for four straight trading days, regained Y80 at Y4,680, while TDK put on Y160 at Y5,430.

Nippon Telegraph and Telephone fell Y16,000 to Y823,000 on selling by individual and overseas investors. The stock was down for the fifth consecutive day as investors were discouraged by reports that the company will cut connection rates of its lines for long distance call operators.

The gas sector posted the largest decline of the day, shedding 2.6 per cent on exchange rate worries. Tokyo Gas receded Y14 to Y346 and Osaka Gas Y9 to Y334.

In Osaka, the OSE average dipped 13.69 to 19,123.91 in volume of 17.7m shares.

Roundup

Hong Kong and Manila were closed for holidays.

TAIPEI fell for the fifth consecutive session as turnover sank to a two-year low. The weighted index lost 15.38 at 4,801.66 in T$15.1bn turnover.

The construction sector led the falls, with Long Bon Construction down T$1.10 at T$18.70. However, electronics shares advanced, Mosel gaining T$3.00 at T$88.50.

SYDNEY retreated on a combination of negative news, including weaker base metal prices. The All Ordinaries index shed 18.0 to 2,055.7 in turnover of A$469.3m. The golds index fell 16.8 to 1,705.8.

Brokers said the drop in the resources sector followed BHP going ex a 25 cents a share dividend and closing 52 cents down at A$17.26.

News Corp firmed 4 cents to A$6.66 in 5.8m-share volume after announcing a joint venture sports programming deal with Tele-Communications.

KUALA LUMPUR was weak, with foreign funds unnerved by Monday's suspension of Genting, the gaming stock, after the discovery of forged scrips on the issue. The composite index fell 15.83 or 1.7 per cent to 941.78, with a 20 basis-point rise in base lending rate by Malayan Banking, the country's leading bank, adding to the weak mood.

Innovest soared M$3.28 to M$5.15 on resumption of trading after a two-month suspension to undertake a capital restructuring.

SEOUL received a late boost from an afternoon buying spree as worries about the effects of a slush fund scandal abated. The composite stock index closed 7.26 up at 997.52.

Insurance stocks were the biggest gainers on belief that the sector would see big earnings rises in the year to September. The sub-index surged 4.7 per cent, many of the companies rising the day's limit.

SINGAPORE continued to drift lower in light volumes, led by pressure in the over-the-counter market on renewed concerns over false share certificates. The Straits Times Industrial index relinquished 6.84 at 2,100.54. United Pulp & Paper picked up 22 cents to S$1.21 on takeover rumours.

KARACHI, still worried by violence in the city, fell marginally in thin trading. The KSE-100 index eased 4.20 to 1,563.41.

BOMBAY drew strength from a rally in Reliance Industries after the company sought an inquiry into speculative selling in its shares. The BSE-30 jumped 60.18 to 3,483.65 as Reliance rose Rs15 to Rs258.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Oct 31 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Oct 30 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Dollar Index: 52 week High	52 week Low	Year ago (approx)
Australia (82)	182.20	0.1	171.20	117.76	133.40	159.30	0.2	4.07	182.09	171.19	116.90	133.04	158.96	191.01	157.95	174.16
Austria (27)	173.51	2.3	163.04	112.14	127.03	126.97	2.5	1.32	169.54	159.38	108.84	123.86	123.82	199.28	167.48	183.20
Belgium (35)	194.43	0.0	182.70	125.66	142.35	138.94	0.3	3.77	194.39	182.74	124.80	142.02	138.54	201.12	164.78	169.72
Brazil (28)	136.38	0.8	128.15	88.15	99.85	241.45	0.8	1.74	135.30	127.20	86.87	98.85	239.47	188.35	86.08	180.44
Canada (100)	142.10	2.5	133.52	91.84	104.04	138.39	1.4	2.66	138.65	130.35	89.01	101.30	136.53	150.83	121.81	136.84
Denmark (33)	282.13	0.0	265.10	182.34	206.56	209.76	0.2	1.55	282.18	265.29	181.17	206.17	209.27	295.99	236.61	254.67
Finland (25)	226.95	-0.8	213.25	146.68	166.16	202.28	-0.7	1.58	228.73	215.03	146.85	167.11	203.67	276.11	171.13	198.88
France (100)	175.10	0.7	164.53	113.17	128.20	134.39	0.9	3.26	173.89	163.48	111.64	127.05	133.20	191.17	157.79	170.62
Germany (59)	158.84	0.6	149.26	102.66	116.30	116.30	0.8	2.05	157.89	148.43	101.37	115.35	115.35	167.74	135.39	145.23
Hong Kong (55)	376.02	1.1	353.33	243.02	275.31	373.26	1.1	3.89	371.89	349.62	238.76	271.71	369.19	391.00	277.40	391.00
Ireland (16)	245.33	1.7	230.53	158.56	179.63	213.67	1.6	3.53	241.27	226.82	154.90	176.27	210.23	250.55	195.34	208.39
Italy (58)	71.79	1.7	67.46	46.40	52.57	85.48	1.6	1.78	70.57	66.34	45.30	51.56	84.14	82.71	65.45	79.74
Japan (483)	139.53	0.3	131.11	90.18	102.16	90.18	1.0	0.84	139.10	130.77	89.31	101.63	89.31	164.82	136.95	164.12
Malaysia (108)	464.28	-0.1	436.26	300.07	339.94	454.72	-0.1	1.81	464.54	436.72	298.24	339.40	455.06	561.96	398.16	542.27
Mexico (18)	932.31	-5.3	876.05	602.55	682.59	7278.07	-1.8	1.91	984.30	925.34	631.92	719.12	7414.87	2155.31	647.81	2111.01
Netherland (19)	255.72	1.0	240.29	165.27	187.23	184.42	1.4	3.54	253.12	237.98	162.51	184.93	181.82	263.99	207.60	223.30
New Zealand (14)	81.64	-0.6	76.71	52.76	59.77	65.67	-0.6	4.35	82.14	77.22	52.74	60.01	66.06	85.48	69.56	76.34
Norway (33)	227.00	0.3	213.30	146.71	166.20	191.92	0.5	2.18	226.33	212.77	145.30	165.35	190.94	243.79	182.82	205.31
Singapore (44)	371.09	0.7	348.70	239.84	271.70	241.91	0.6	1.70	368.40	346.33	236.51	269.16	240.48	414.26	313.94	401.39
South Africa (45)	359.06	0.8	337.40	232.06	262.89	286.20	0.8	4.07	356.33	334.99	228.77	260.33	284.06	368.62	281.06	332.71
Spain (38)	147.11	0.4	138.23	95.07	107.70	136.24	0.7	4.18	146.53	137.75	94.07	107.05	135.35	160.51	124.10	142.56
Sweden (46)	310.50	-0.9	291.76	200.68	227.34	305.37	-0.6	1.98	313.29	294.53	201.14	228.90	307.34	320.43	225.80	242.82
Switzerland (41)	223.73	1.3	210.23	144.60	163.81	157.64	1.4	1.69	220.93	207.69	141.84	161.41	155.47	223.73	158.38	164.07
Thailand (46)	158.87	-0.3	149.28	102.68	116.32	155.13	-0.3	2.63	159.40	149.85	102.34	116.46	155.59	184.55	130.16	180.44
United Kingdom (206)	224.68	0.6	211.12	145.21	164.50	211.12	0.5	4.06	223.42	210.04	143.44	163.23	210.04	227.31	187.07	205.01
USA (503)	238.22	-0.3	223.85	153.96	174.41	238.22	-0.3	2.48	238.87	224.56	153.35	174.51	238.87	242.04	182.33	182.78
Americas (849)	217.17	-0.2	204.07	140.36	159.00	182.34	-0.2	2.47	217.62	204.58	139.71	158.99	182.73	220.86	170.66	180.44
Europe (738)	194.30	0.7	182.58	125.58	142.26	162.57	0.8	3.10	193.05	181.49	123.94	141.04	161.36	199.02	163.04	175.29
Nordic (139)	281.09	-0.6	264.13	181.67	205.80	236.93	-0.4	1.85	282.82	265.88	181.57	206.63	237.84	295.02	215.79	238.25
Pacific Basin (832)	150.53	0.3	141.45	97.29	110.21	100.59	0.9	1.30	150.04	141.05	96.33	109.62	99.71	173.52	145.93	173.52
Euro-Pacific (1570)	168.68	0.5	158.50	109.02	123.50	124.00	0.8	2.17	167.87	157.81	107.77	122.64	122.99	179.33	154.73	174.14
North America (603)	232.28	-0.2	218.26	150.12	170.06	231.54	-0.2	2.49	232.67	218.74	149.38	169.99	232.02	235.91	178.99	189.29
Europe Ex. UK (532)	173.79	0.7	163.31	112.32	127.24	136.22	0.9	2.55	172.59	162.25	110.80	126.09	135.02	179.46	148.45	155.72
Pacific Ex. Japan (349)	253.76	0.4	238.45	164.01	185.79	222.11	0.5	3.31	252.68	237.54	162.22	184.61	221.10	266.72	211.19	265.07
World Ex. US (1761)	169.62	0.5	159.39	109.63	124.19	127.49	0.8	2.21	168.77	158.66	108.35	123.30	126.46	178.73	158.42	175.89
World Ex. UK (2058)	187.38	0.2	176.08	121.11	137.19	154.39	0.4	2.12	187.09	175.88	120.11	136.68	153.82	191.32	163.46	178.07
World Ex. Japan (1781)	219.05	0.2	205.83	141.57	160.38	203.64	0.2	2.79	218.69	205.59	140.40	159.77	203.24	221.43	178.95	191.22
The World Index (2264)	190.64	0.2	179.13	123.21	139.58	159.34	0.4	2.32	190.26	178.88	122.15	139.00	158.73	194.25	165.92	180.44

Latest prices were unavailable for this edition.